

Market Link

for primary producers

A publication of the Market Information Service (MIS) - Ministry of Agriculture and Fisheries
"Linking the market and Primary producers"

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Ukraine War and Agriculture



The war in Ukraine has aggravated existing tensions on the agricultural commodities. Since late 2021, prices for most staple and consumed agricultural commodities in the world have reached record highs, surpassing even the levels of the global food price crisis of more than a decade ago. Now the invasion of Russian forces in Ukraine has sent prices soaring even higher. This has above all affected import-dependent countries around the world including the Pacific. Disruptions to exports from these two nations due to their conflict as well as European Union (EU) imposed a lot of sanctions on Russia has further destabilizing the trade of not only Agricultural commodities in the world but also increases the cost of crude oil that has adversely affected livelihood activities in agriculture leading to low income for survival and sustenance.

Global demand for agricultural products is expected to be met in the current marketing year since countries such as Australia, Brazil and the USA will increase exports to fill the gap left by Russia and Ukraine. It is difficult to predict what will happen beyond this as this will be determined by the development of the current conflict in addition to agricultural fundamentals in key supply and demand.

Impacts on Crops

Russia is the top global export of wheat and fertilizer in the world, while Ukraine is the largest export of sunflower oil and the fourth largest exporter of corn and rice. Their combined export market share for 2015 – 2021 was 28% for wheat, 15% for corn and rice and 16% for fertilizers.

A large number of food and fertilizer importing countries, many fall into the Least Developed Countries (LDC) including most of the Pacific Countries, rely on imported food supplies to meet their consumption needs. Many of these countries were already grappling with the negative effects of high international food and fertilizer prices prior to the war because of the Covid-19 Pandemic. So if the war keeps impacting food imports and crude oil prices high, it will probably end up increasing the prices of locally produced goods and products at the markets as a result of the import food shortage.

Globally, the effects are driven by a sudden shift to food at home due to disruptions of exports from the two conflicted nations, as well as by risks of food shortage resulting from outbreaks at packing houses and among farm workers as

well as restrictions on cross border travel and trade.

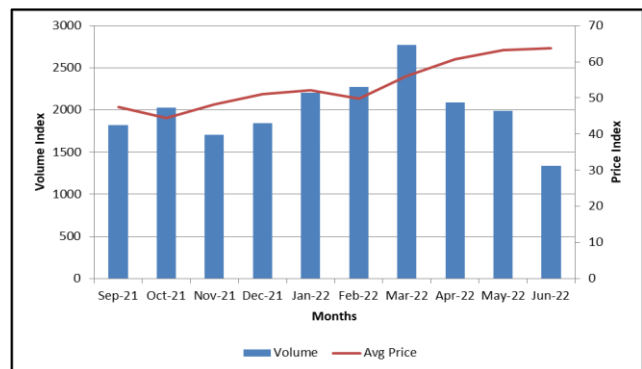
Commercial farming could be most affected, particularly where production relies on a great variety and large amounts of intermediate inputs, such as seeds, feeds, fertilizers and pesticides. Subsistence farmers can be affected. While they rely more on their own farm-based inputs, many have to purchase their inputs on local or regional markets, including their seeds and feeds. Their input supply chains are typically more fragile and more susceptible to disruptions. Importantly, they use more manual labor and, where the war takes a direct toll on their activities or their movement, this can impede not only their ability to produce for others, but also undermines their own food security. A lack or a delay of supply of these products affects people in the informal sector of urban areas who rely on produce from rural areas for their livelihood.

The Local Market Survey in June 2022 showed an overall volume decrease 20 percent while limited supply of all produce pushed average prices up 14 percent when compared to June 2021. With restaurant business severely cut, farmers who usually sell fresh produce directly to restaurants are more dependent on direct-to-consumer sales.

Since the war on Ukraine started on February 2022, crude oil prices increases dramatically due to sanctions that banned the importation of Russian crude oil to all European Union Nations. Then sanctions extended on banning all exportations of all goods and products from Russia, including agricultural products and fertilizers.

These sanctions has posed high demand of imported stable food like rice, flour and so forth, and causes a slight increase in prices of our local stable crops and vegetables as stated in figure 1 below.

Figure 1: Supply and Price Index Sep21 – Jun22



SOURCE: SBS Local Market Survey

Impacts on Meat Industry

Production will 'plummet', due to several key factors. Supply chain disruptions will have a negative impact on restocking, and energy will be a 'major concern'. From freezers to incubators and generators, power cuts – which the meat are already being reported, are impacting operations

Ukraine is one of the top global exporters of chicken feed and also ranked the eighth largest poultry meat exporter in the world. The disruptions of meat exports from Ukraine to the whole world because of the war brought a spike in the prices of meat exports from other countries like NZ, Australia, USA and so forth. Now, many Pacific countries including Samoa are experiencing a huge increase in meat prices from overseas, particularly chicken meat of more than 60% in June to July of 2022 compared to the same period in 2021.

Impacts on the Food Supply

As mentioned above, the region also exports over 43% of the world's wheat, corn and rice and considered them as the **“Breadbasket of Europe”**. The war in Ukraine, as well as sanctions against Russia, has resulted in a massive decline in the supply of major staple foods. This has led to a rise in food prices globally.

Food shortages precipitated by the war are hurting food prices everywhere in the world, with the hardest hit being developing economies where the poorest live. The United Nations' Food and Agriculture Organization (FAO) reports that the global Food Price Index (FPI) averaged 159.3 points in July 2022, up to 17.9 points (12% increase) from February. This is the highest level since its inception in 1990. The latest increase reflects new all-time highs for vegetable oils and cereals highlighting the direct negative impact of the conflict.

Supply Chain

In the face of Global crisis of food, energy and finance due to Ukraine – Russia War, health is top priority. Good health also depends on food; thus local food supply chain must move on despite war crisis. This will help prevent food shortage and protect the most vulnerable. FAO has recommended six ways countries can respond:

1. Prioritize the health of people who produce and supply food
2. Allow seasonal workers to move and those who transport food
3. Ensure supplies for farming
4. Help deliver agricultural products to markets especially from small and medium enterprises
5. Ensure consumer have access to food markets
6. Ensure supplies of fresh produce through innovations

Samoa Government with MAF the leading agency is taking the pro-active approach to ensure food security is sustainable through the local production of crops and livestock.

As the Ukraine war continues to damage global food supply and the world's economies, it is crucial that we prevent it from plunging millions more people into hunger. Small-scale farmers can help us do this – if we work with them and invest in their activities. Resilient farmers are key for a resilient food system. And they are an indispensable part of a brighter post Ukraine – War.

Table 1: Average price of Agricultural Commodities at Local Markets.

Commodities (SAT\$/kg)	May 2021	June 2021	Lowest price for 2021 to date	Highest price for 2021 to date
Taro	1.67	1.93	1.63	1.93
Banana	1.04	1.00	0.92	1.04
Taamu	4.92	3.73	3.35	5.17
Coconut	0.95	0.95	0.94	1.01
Breadfruit	1.09	1.40	1.00	1.47
Yam	3.28	3.52	3.28	4.51
Head cabbage	8.30	7.75	7.75	11.89
Tomato	14.41	13.86	13.42	17.26
Chinese cabbage	5.66	5.82	5.66	7.27
Cucumber	4.88	4.20	4.11	5.61
Pumpkin	3.65	3.55	2.91	4.45

Source: Samoa Bureau of Statistics

Table 2: Foreign currency per tala (ST\$)

May-June 2021	USD\$	NZD\$	AUD\$	YEN\$	FJD\$	EURO
1 Samoan Tala SAT\$ =	0.3888	0.5303	0.4998	41.9900	0.7826	0.3111

Source: Bank of the South Pacific

Market Link Newsletter

This newsletter is published bi-monthly and it seeks to assist stakeholders (farmers, consumers, wholesalers, policymakers) make informed market and marketing decisions based on credible, relevant price and supply information. Help us help you by providing constructive feedback on market information issues that will improve the service which will lead to growing a healthy and wealthy Samoa. For more information contact the Policy Planning and Communication Division and ask for Soo Iuvale.

Disclaimer

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