

**Penta** Policy Insiders

# Food for Thought

The invasion of Ukraine and EU agriculture

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It has now been over a year since Russia invaded Ukraine, with drastic effects felt around the world. On the political side, the invasion has shown that conventional war between two developed countries is still possible in the contemporary world. It has also shown that Western unity is a strong force, particularly given the united foreign policy of the European Union in condemning and sanctioning Russia.<sup>1</sup>

In the economic sphere, a wide range of industries have been impacted by the invasion, ranging from the oil and gas sector to consumer goods and tourism, and especially the agricultural industry.<sup>2</sup> Since the beginning of the invasion, supply chain disruptions and resultant shortages have caused focus within the industry to shift from sustainability to basic supply and demand.<sup>3</sup> This shift is unfolding as a new phase in the extant tension between the green ambitions of the EU institutions and the agricultural sector's need to remain competitive and productive. In fact, two of the most well known programmes outlined in the Deal are the Farm to Fork Strategy, which aims to 'accelerate [the] transition to a sustainable food system',<sup>4</sup> and the Common Agricultural Policy, which focuses on stable and sustainable food supplies and the economic security of EU farmers.<sup>5</sup> The transition to basic supply and demand has put these goals on the backburner with the intention of serving the well-being of the European public. This is not to say that the EU has abandoned its green goals, but rather that the invasion has forced them to re-prioritize and give stronger consideration to the concerns of the agricultural industry.

Finally, the highly acclaimed free-trade agreement that was granted to Ukraine at the onset of the war has sparked tensions among member countries bordering Ukraine, particularly those engaged in agricultural exports. These countries now face competition from Ukraine's lower-priced crops, which demonstrates not only the urgency to address environmental issues but also geopolitical implications both internally and externally.

## The invasion of Ukraine

Our research shows that Russia's invasion of Ukraine was a top priority for EU policymakers in 2022.<sup>6</sup> That prioritization has continued, as Europe is still experiencing the effects of the invasion on energy prices, the financial landscape, and the everyday lives of European citizens. Policymakers have gone so far as to point out that some priorities – like the current Commission's focus on sustainability and the European Green Deal – have been put to the side while the EU focuses on Ukraine.



The obvious upfront and central issue is the ongoing war of aggression in Ukraine and all of the fallout from that... **it's a high priority from a financial perspective, as well as from an energy security perspective.**

**Head of Cabinet, European Commission**



The European Union has had, in two years, two major shocks. **COVID was a global shock, and then the war in Ukraine.** It's a global situation, but it is **affecting disproportionately the European Union...** those shocks revealed very deep dependencies of the European Union.

**Committee Vice Chair, European Parliament**



We have had the conflict, the war in Ukraine, the last year and that's a good example of how **when the priorities change, you have to kind of slow the accelerator in other areas like [sustainability].**

**Private Advisor Name**

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## Supply chains

The effects of the invasion have been particularly tangible within supply chains. Before the war, Russia was the EU's fifth largest trading partner, and 5.8 percent of the EU's total trade in goods was conducted with Russia.<sup>7</sup> However, this trade was cut off when the EU imposed sanctions on the country in response to the invasion of Ukraine. The sudden withdrawal of such a major trade partner has highlighted the areas in which the EU relied on Russia for goods such as fuel, fertilizers, and machinery, leading policymakers to emphasize the need for more secure supply chains both within and beyond Europe.

A key component of strengthening European supply chains has been the pursuit of international trade partnerships to reduce reliance on Russian imports and create a geopolitical coalition with 'like-minded' countries. The ongoing discussions with South American trade bloc Mercosur demonstrates how sustainability is an important factor in the discussions as the involved parties seek to strike a balance between international economic cooperation, competitiveness, and differing green agendas.<sup>8</sup>

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A new thing now is **more resilient supply chains...** because in the last 20 to 30 years, there's been such a diversification of supply chains... **we need to secure them for as many supply chains as possible to come back to Europe**, or at least to be duly monitored from Europe.

**Policy Advisor, European Parliament**

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[A priority is] more immediate support for Ukraine. **We are looking for companies who are able to accelerate the production chains** for generators or transformers of the kind which Ukraine now desperately needs.

**International Relations Officer, European Commission**

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There is a new paradigm of neo-protectionism of the European Union, following up what the U.S. and China have been doing in the last decades. There are a lot of nice words on the WTO and multilateralism, etc., but we know **in the world we are living in, there is a lot of concern to strengthen the resilience of European supply chains.**

**Policy Advisor, European Parliament**

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# Effects within the agricultural industry

These supply chain issues have consequently had a strong impact on the agricultural sector in Europe. Before the war, Ukraine supplied almost half of the EU's imports of cereals, and vegetable and grapeseed oils, and a quarter of the poultry meat.<sup>9</sup> Ukrainian exports have been greatly disrupted by the war. The Black Sea Grain Initiative was conceived as a tool to help lessen the negative impacts of these disruptions; signed in July 2022 between Russia and Ukraine (via Turkey and the UN), it promised safe exports of grain and other related goods from Ukraine through designated corridors in the Black Sea. Though the Initiative has helped with food supply, exports have still not been able to reach for their pre-war levels.<sup>10</sup>

In addition to the Black Sea Grain Initiative, the EU also suspended duties and quotas on imports from Ukraine (i.e., mostly agricultural imports) from June 2022 to June 2023. The tariff-free access to the EU market was meant to help Ukraine's economy in the face of the invasion. However, supporting the Ukrainian economy came at the expense of EU farmers as imported Ukrainian goods entered the market and became a competitor for EU-produced agricultural goods. Although member states have voted to extend the suspension of tariffs into June 2024,<sup>11</sup> the countries bordering Ukraine who are most affected by the arrangement — Poland, Hungary, Slovakia, Romania, and Bulgaria — are faced with a conflict between supporting their farmers and supporting Ukraine. Poland, and Hungary have gone so far as to ban Ukrainian grain imports, and the EU has tried to mitigate the conflict by proposing financial compensation for the farmers in the border countries.<sup>12</sup>

The impact on agriculture also stems from Russia. Russia is the world's biggest supplier of fertilizers and, before the war, some member states imported more than 70 percent of their fertilizers from Russia.<sup>13</sup> This supply was cut off with the EU-adopted sanctions against Russian imports. Policymakers have reported food shortages, fertilizer price hikes, and heightened awareness of the insecure nature of European food supply chains as concerns among outcomes of these disrupted trade relationships.



From the agricultural point of view, there were a lot of tensions about food and food exports from Ukraine to the rest of the world.

**Senior Policy Advisor, European Parliament**



COVID certainly had a massive impact on food and farming, because there were shortages in supermarkets, which kind of highlighted the issue around the supply chains and whether they were or were not resilient... and I think more recently, **the war in Ukraine has been another instance that shows the lack of resilience of food systems to these kinds of shocks and disruptions.**

**Public Institute Director**



As we've seen what the risks for our food security in Europe are, it is very much linked to the fact that we've been so dependent on fertilizers from Russia. Again, it is also linked to the energy crisis and the fossil fuels. That's a certainly that kind of unnecessary dependency we need to try to divert away from.

Policy Advisor, Think Tank

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When we talk about food and agriculture, we are talking about a very large industry, a very relevant sanctuary in Europe in terms of economic activity, labor, economic development, and global trade.

Private Advisor

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## Conclusion

The European Green Deal's sustainability quotas are a priority within the agricultural sector that policymakers are keenly aware of. However, disruptions caused by the invasion of Ukraine have highlighted areas within the agricultural supply chain that need to be made more secure, and moreover, have raised the question of how that security should be balanced against both big-picture sustainability goals and the economic well-being of European farmers. As policymakers and farmers alike work towards increasing the reliability of the EU's food supply, they will continue to consider all available options – including combining supply stability with environmental sustainability through the EU's green programmes.



There's still a huge battle between the priorities that we've set for ourselves in the Green Deal, recognizing the competitiveness dimension, the societal dimension, but then also just a planetary crisis that we're in with the climate crisis... although Europe doesn't suffer from food shortage, we cannot say that there's not a food crisis in Europe. For the time being, there is a global challenge and we need to recognize that we have a role to play in supporting that answer. It creates this new kind of urgency for us to really take seriously the measures we take in supporting agriculture production in Europe.

Policy Advisor, Think Tank

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I think that what we would need is a common recognition that the vision for Farm to Fork of a more sustainable food system, is actually going to be good for food security, is going to be good for the industry, it's going to be good for multiple objectives.

Policy Advisor, Think Tank

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