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**INTRODUCTION**

Chairman Costa, Ranking Member Johnson, members of the House Agriculture Subcommittee on Livestock and Foreign Agriculture, thank you for convening this hearing on “International Trade and Food Assistance Programs” as they relate to the Farm Bill.

Today, I will provide a briefing on the United Nations World Food Programme’s efforts to assist increasing numbers of people in a world that is not moving towards, but away from zero hunger, and where the humanitarian response is becoming more expensive with constrained resources.

Before I do that, I want to thank Members of Congress—from both sides of the aisle and both chambers—for your continued support of the United Nations World Food Programme. The United States is WFP’s largest partner, and we share an important history that dates back to the organization’s very founding. Last year, the United States provided \$3.86 billion in support to WFP, and a considerable amount was provided through programs under this committee’s jurisdiction.

We also deeply appreciate the partnership we have with the American farmer. The United States is the largest contributor of commodities to international food aid programs and is critical to our efforts to alleviate hunger around the world. The quantity and quality of U.S. commodities is invaluable to our operations, and we could not do the work we do without the support and engagement of American farmers and agribusinesses.

### **U.S. FOOD AID PROGRAMS**

The United Nations World Food Programme has been a U.S. partner for the P.L. 480 (Title II) and McGovern-Dole International Food for Education and Child Nutrition programs since their inception and remains today the largest recipient of American-grown commodities provided through those programs. As a share of value, United States in-kind donations constituted 17 percent of WFP's food procurement in 2021. WFP is encouraged by the proposed increase of 10 percent in Title II funding for FY 2023, as reflected in the White House FY 2023 Presidential Budget Request released last week.

While WFP has increased the amount of assistance it provides through cash-based assistance in recent years—from US\$210 million in 2011 to US\$2.3 billion in 2021—that does not imply that food transfers have become any less important. WFP values a balanced “toolbox” of food assistance modalities. The use of commodities in WFP programming has remained relatively constant over the last decade, increasing slightly from 3.6 million metric tons (mt) in 2011 to 4.4 million mt in 2021.

Cash-based assistance needs functioning markets. If markets are not working properly and responding to an increase in demand with rising supply, cash-based transfers can fuel inflation. Moreover, the current high food inflation rates in many poor economies pose a challenge for cash-based assistance. When money rapidly loses value, a set transfer value won't go as far anymore as it used to, making it difficult to ensure that beneficiaries are able to cover their food and other essential needs.

In-kind food assistance, on the contrary, can put downward pressure on food prices. What is more, especially, in the scenario of a prolonged war in Ukraine, in-kind assistance can help respond to local supply chain breaks that the conflict could trigger in countries dependent on Black Sea grain imports.

In short, the United Nations World Food Programme is grateful for the commodity support provided through the Title II emergency program and the McGovern-Dole School Feeding

program. These resources are especially important today given volatile market and currency conditions faced in many countries and prolonged humanitarian emergencies driven by conflict that destroy markets and reduce domestic production of food.

### **STATE OF GLOBAL HUNGER**

The world is not on track in its efforts to achieve Zero Hunger. Progress on SDG2 was waning even before the COVID-19 pandemic began causing economic turmoil and eroding food security. In 81 countries where WFP operates, up to 276 million people are acutely food insecure in 2022 and in need of urgent food, nutrition, and livelihoods assistance. This is a record high, and an increase of 126 million people compared to before the pandemic. Refugees, returnees, asylum-seekers, and internally displaced persons are particularly vulnerable.

There are more than half a million people (670,000 people) facing famine-like conditions (IPC/CH Phase 5, Catastrophe/Famine). Some 400,000 of these people are in parts of Ethiopia affected by the Tigray crisis—the highest number recorded since the 2011 famine in Somalia—while the remaining people are in South Sudan and Yemen. 44 million people living across 38 countries currently face severe hunger emergencies (IPC/CH Phase 4) and are one step from falling into famine. This number has risen from 27 million in 2019.

### **UKRAINE CRISIS**

We cannot adequately speak to the current global hunger crisis and the importance of American food aid programs authorized through the Farm Bill without addressing the conflict in Ukraine and the ripple effects it has produced. The conflict happens at a time when global hunger is already at record levels. This is a conflict that has global repercussions. I commend the bipartisan efforts already taken by the U.S. Congress to address the way the war is impacting global food and fuel prices, putting millions of people at risk of food insecurity in 2022 and beyond.

In recent years Ukraine and Russia have become "major engines" for feeding the world. With these countries critical suppliers to global markets for wheat, maize, and other food commodities as well as energy and fertilizer, the Ukraine conflict has caused an upheaval in global food and energy markets. Steep rises in international prices for basic staples – notably wheat and maize – in recent weeks reflect this, resulting in a food price environment that resembles the 2008 or 2011 crises. Given heavy reliance on world commodity markets by numerous countries, prices are rising even in places that do not source their wheat, maize, or other commodities directly from Ukraine or Russia.

This is especially important for countries that rely on global trade for their food supplies. The war in Ukraine does not immediately mean that there will be a shortage of wheat production in the world. Much of the world's wheat is still consumed where it is grown; exports represent only a fraction of the global wheat supply (of the total global wheat production of 775 million tonnes in 2021-22, only 194 million tonnes are traded internationally).

Still, Ukraine and Russia account for a large portion of the world's wheat exports and countries that rely heavily on grain imports from the Black Sea like Lebanon, Yemen or Egypt will be greatly affected. Medium- and long-term global food security implications of the Ukraine crisis will depend on the duration of the conflict. If the conflict is resolved on the ground within the next five to six weeks, there could be a quick return to pre-conflict realities. However, if the conflict continues beyond two months, we face a completely different situation.

In the case of a prolonged conflict, the absence of farmers or fuel shortages during critical periods for tending new crops could imply massive cuts to Ukraine's upcoming grain harvests. This includes planting for corn, barley, and sunflower seeds, which should begin this month, and the next major wheat harvest, which should take place this summer. Meanwhile, a lack of fertilizer supplies from Russia and continuously high energy costs could constrain yields in many countries around the world. Some 25 countries depend on Russia for 30 percent or more of their fertilizers.

In this worst-case scenario, across the 81 countries with WFP operations, we estimate that acute hunger could rise by 47 million people (sub-Saharan Africa is most affected) from a pre-war baseline of 276 million people who were already in the grip of acute hunger. This means that up to 323 million people could become acutely food insecure in 2022.

### **COVID-19**

The current price hikes unfold in a much more difficult global context than previous price crises. There are two reasons for this: First, the world was more stable in 2008 than it is today. Several major conflicts have erupted since. The civil war in Ethiopia began in 2020, the Yemeni civil war in 2014, the Syrian civil war in 2011 and the conflict in Northeast Nigeria in 2009. Second, the world has still not fully recovered from the fallout of the COVID-19 pandemic, leaving it in a difficult place to cope with yet another crisis.

Global food prices have been on the rise since mid-2020. The Food and Agriculture Organization of the United Nations Food Price Index, a measure of the monthly change in international prices of a basket of food commodities, reached a new all-time high in February

2022. Similarly, crude oil prices, which have an enormous impact on food prices, have steadily increased since the spring of 2020, recovering from a pandemic-driven plunge and then surpassing their levels of previous years. When the price of gas goes up, everything else follows.

Domestically, food prices have risen by at least 15 percent in 31 countries over the past year, rendering essential purchases unaffordable for many. Three countries—Lebanon, Venezuela and Sudan—have been drastically affected, with triple-digit food inflation rates. An additional 29 countries have experienced food price rises between 10 and 15 percent over the past year and 55 countries between 5 and 10 percent.

Skyrocketing inflation is often associated with depreciating currencies. The currencies of these three countries —Lebanon, Venezuela, and Sudan— are highest in terms of year-on-year food inflation, and each lost more than 50 percent of their value over the past year. WFP currently flags 22 currencies as hotspots or in alert status, indicating annual value losses that are unusually high, rapidly accelerating or both.

At the same time, incomes are still depressed from COVID-19. Labour markets are struggling to recover and, after staggering losses in working hours in 2020 and 2021 (equivalent to 258 million and 125 million full-time jobs), the International Labour Organization projects a working hour deficit equivalent to 52 million full-time jobs for 2022. This implies sustained losses in income and purchasing power, on top of inflation.

The world has taken extraordinary measures to safeguard lives and livelihoods during the COVID-19 crisis – at an unprecedented cost. Fiscal support and monetary measures that governments put in place during the first 18 months of the pandemic to stave off economic collapse amount to US\$26 trillion, nearly 30 percent of global gross domestic product. Debt is at record levels. About 60 percent of low-income countries are at high risk or already in debt distress, compared with 30 percent in 2015. Governments are less economically resilient after two years of dipping into their coffers to soften COVID’s economic blow on their citizens. This means that governments are tapped out too.

### **FUNDING SHORTFALLS**

WFP aims to assist increasing numbers of people, however, faces a significant funding gap. The Ukraine crisis not only unfolds in the aftermath of COVID-19 but with other drivers of hunger like conflict and climate change unabating, other crises—such as climate-related crises in Eastern and Southern Africa—are still there.

WFP, therefore, plans to step up and assist increasing numbers of people: 145 million beneficiaries in 2022. This is an even higher number than in the past two years, when WFP assisted a record-breaking 115.5 million beneficiaries in 2020 and a record 128 million in 2021. This year WFP's assistance will cost approximately US\$20 billion.

Funding requirements have unfortunately increased faster than contributions and today WFP faces a funding gap of 50 percent. While WFP has always faced funding gaps, they have previously not been to this extent or in this environment. As other UN agency and government budgets are similarly under strain, everyone is forced to cut assistance at the same time. This makes cuts in the lifeline of WFP assistance much more painful for people than they would have been in previous years.

The Ukraine conflict only adds to the funding gap, by increasing WFP's operational costs and constraining its response at a time when it is needed the most. While other exporters of staple food commodities should—at least partially—be able to make up for the shortfall in supplies to global markets from the Black Sea region, these commodities are not only higher priced, but have added operational costs. Buying from farther afield implies higher transport costs and delivery times—for WFP and everyone else dependent on purchases in international markets.

In view of the recent hikes in container costs, this is an important consideration. The cost per container reached US\$4,000 in 2021, four times as much as its cost in 2019 (US\$1,000). With rising prices in international markets for food commodities, WFP's food procurement costs were already up by US\$42 million per month at the end of 2021 compared with their 2019 average. Together with an estimated US\$29 million increase in WFP's monthly costs for food and fuel due to the price increases related to the Ukraine conflict, this means that WFP's monthly costs are expected to be US\$71 million above their 2019 average. This is an increase by 44 percent and enough to cover one daily ration for 3.8 million beneficiaries for a month.

## **CONCLUSION**

Unless the Ukraine crisis is resolved soon and stops pushing up needs while simultaneously making the humanitarian response more expensive, the global repercussions of the conflict could become much worse. As needs rise and the economic environment undermines assistance, WFP is increasingly confronted with the decision of who to support out of those in need – and who not to support.

The costs of humanitarian inaction are tremendous, especially for people in need, who in the worst case pay with their lives. Failing to mobilize sufficient and timely funds for humanitarian

assistance also means that donors bear the costs of inaction. As soon as refugees arrive at donor countries' borders, the new host governments start – literally – paying for not having acted earlier.

Looking back at the Syrian refugee crisis, Germany's total refugee-related costs from 2016 to 2020 amount to a shocking US\$125 billion at the federal level. While this includes funds designated to fighting the root causes of forced displacement, more than US\$80 billion went into domestic social transfers, transfers to states and municipalities, integration, as well as arrival, registration, and asylum procedures. For every US dollar spent on a forcibly displaced person in the developing world, US\$70 goes to an asylum seeker in a donor country.

Not even a decade after the Syrian refugee crisis, the world risks repeating it. With the Ukraine conflict contributing to a deterioration of existing crises, such as in Afghanistan, regional destabilization and a massive influx of refugees to Western countries could soon become a reality. The war has food security implications not only in Ukraine but risks causing collateral damage all over the world, putting up to an estimated 323 million people in a situation of food insecurity in 2022. The world does not need another crisis in the current context that is already beset by extreme difficulties.

Despite the very bleak situation, WFP is encouraged about USG's efforts to leverage the resources available under the Bill Emerson Humanitarian Trust and the sustained commitment from the American people to respond to some of these urgent crises around the world.

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