



FOOD SECURITY AND POLICY REVIEW IN UKRAINE

June update

July 26, 2022

ISSUE PREVIEW

Food affordability in Ukraine continues to worsen. In June, there was a significant increase in prices for vegetables, making Food Affordability Index go down by a lot due to the noticeable share of vegetables in food consumption. The main reason for such an increase is seasonal factors – previous years' vegetables are being replaced with newly harvested early vegetables in the stores. Early vegetables are relatively more expensive, and Russian occupation of regions where a substantial share of vegetables were produced has made this increase even more significant. Approximately 19% of all vegetables in 2021 were produced in now-occupied territories, with this share being even higher for some vegetables - 21% for cucumbers, 31% for pepper and 32% for tomatoes.

	FAI	Prices
21.02	0%	0%
22.04	-37.9%	+5.8%
13.05	-37.0%	+4.4%
27.05	-38.5%	+7%
17.06	-40.5%	+10.6%
01.07	-47.6%	+25.7%

FOOD AFFORDABILITY INDEX ↓47.6% DUE TO SEASONALITY

The food affordability index (FAI) is estimated as a ratio of the average salary to the price of the basket of food products (see the methodology on our webpage).

Before the RF's full-scale invasion, the FAI score was 12.4, implying that the person with an average salary could buy 12.4 months' worth of food products from our basket. By June 16, the index dropped to 7.4. It is 40.5% lower than before the war, 3.3% lower than at the end of May, and by 4.3% lower than in April. Our estimates show that despite marginal improvement at the beginning of May, FAI continued to decrease in June. By the end of June, FAI dropped even further to 6.5, which is 47.6% lower than before the war, 12% lower than in the first half of June, and 14.9% lower than in May. It implies that the person with an average income at the end of June could buy almost 48% less food compared with the pre-invasion level.

The main reason for the worsening of FAI is the increase in the average price for the "basket of goods"¹. As of the

essential food products rather than the whole basket. As a result – our findings could differ from the SSSU estimates for the price changes.

¹ The constructed basket of products differs from the consumer basket used by the State Statistics Service of Ukraine to estimate food inflation. The basket constructed for our estimation considers only 21



last week of June (June 27 – July 1), the price of the food basket is 17.5% higher compared to the May 23-27 price.

. Such a dramatic increase in prices is mainly explained by seasonality. Early vegetables of the new harvest, which are much more expensive than the previous year's harvest, started to appear in stores, leading to the increase in prices for onions, potatoes, beetroot, and carrot. Besides that, prices continue to grow due to war-related reasons: supply chain disruption, logistics complications, and increased production costs. For a more detailed overview of prices, see the Domestic food prices section of this report.

The only region where a decrease in the price of the basket of goods is observed is the partially occupied Kherson region (-1.7%). However, this could be partially explained by the high base for the comparison. In the early months after the RF's invasion this region experienced the highest price growth. As the situation stabilizes in May-June, prices are moving closer to the country's average. Besides that, Kherson region is one of the leading regions for vegetables production in Ukraine, so the new harvest there is not as expensive as in other parts of the country. The highest price increase is observed in Khmelnytskyi and Odesa regions: in the last week of June (June 27-June 1), compared to May 23-May 27, prices went up by 22.6% and 21%, respectively. No information is available for the two regions partially occupied by the RF's army – Donetsk and Luhansk regions.

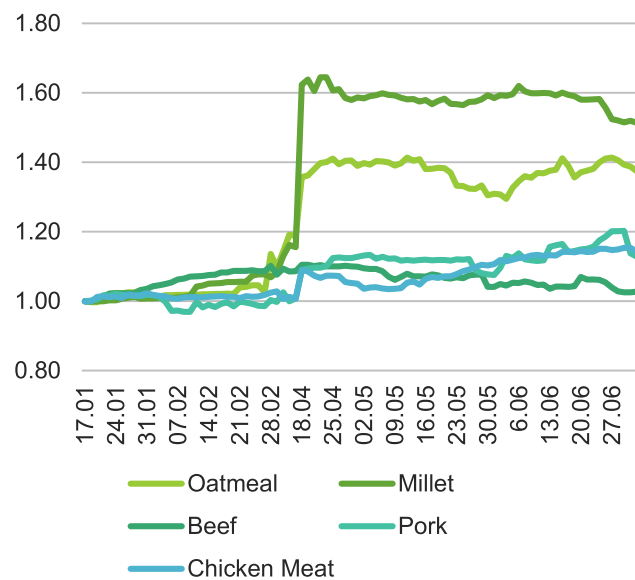
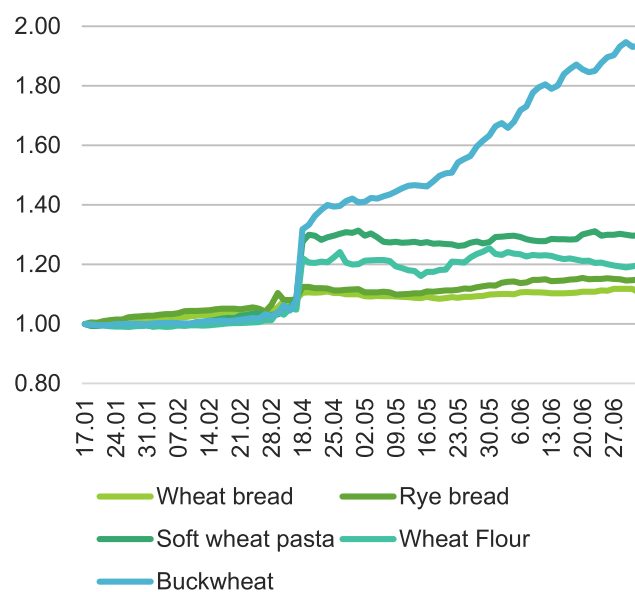
DOMESTIC FOOD PRICES ↑ VEGETABLES

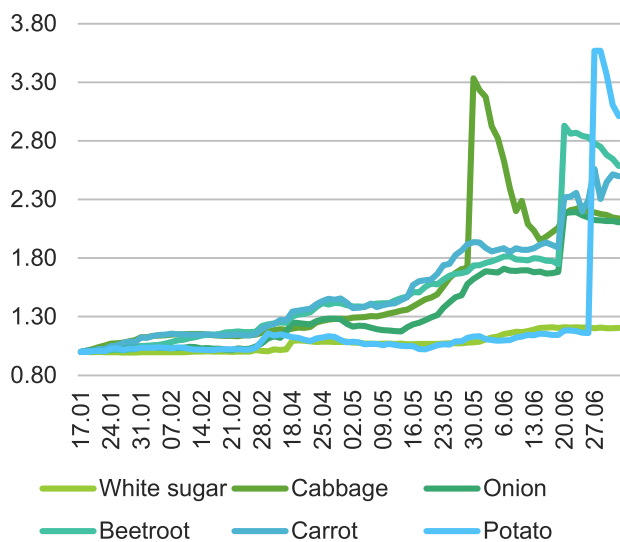
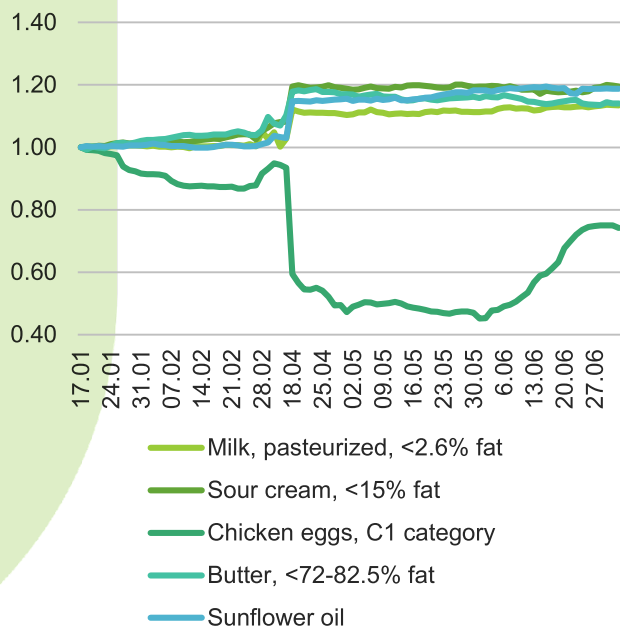
On June 13-17, compared to May 23-27, the highest price growth was observed for buckwheat (+16%), chicken eggs (+27%), cabbage (+21%), and onions (+14%). Commodities that experienced price decreases at the national level over this period include beef (-3%), sour cream, and butter (both -1%). On June 27 – July 1, compared to June 13-17, high price growth was observed for eggs (+25%), while there was a decrease in prices for flour (-2%), millet (-5%), and beef (-1%).

On June 27- July 1, as compared to May 23-27, there was a significant price growth for onions (+26%), beetroot (+51%), carrot (+29%), and potato (+190%). The key reason for this increase is seasonality: early vegetables of the new harvest, which started to appear in the stores,

are traditionally more expensive than those of the previous year's harvest. Due to the occupation of the Kherson region, which is among the leading regions in vegetable production in Ukraine, these prices have grown even higher than usual. In mid-June previous year's vegetables were replaced with these new harvest vegetables in the prices data collected by the State Statistics Service of Ukraine used for this analysis leading to such values of the prices indices.

Indices of average daily price (with the base date of January 17) changes in Ukraine are presented in the figures below.





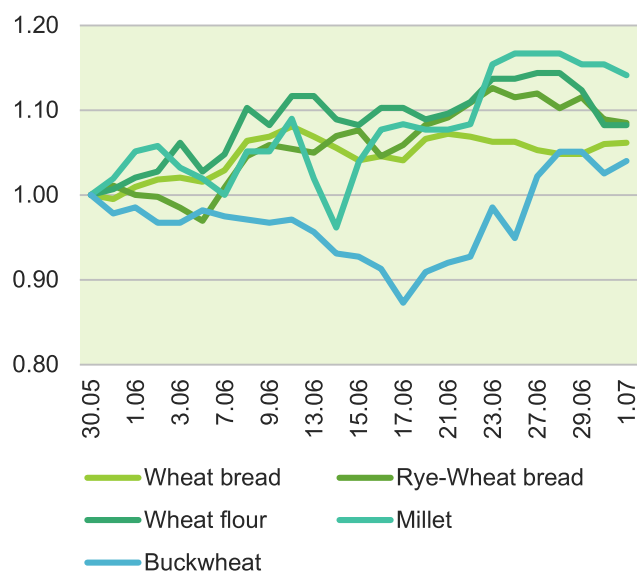
Note: Vertical axes indicates indices of average daily prices (with the base date of January 17th) change in Ukraine
 Source: own estimations based on data of State Statistics Service of Ukraine

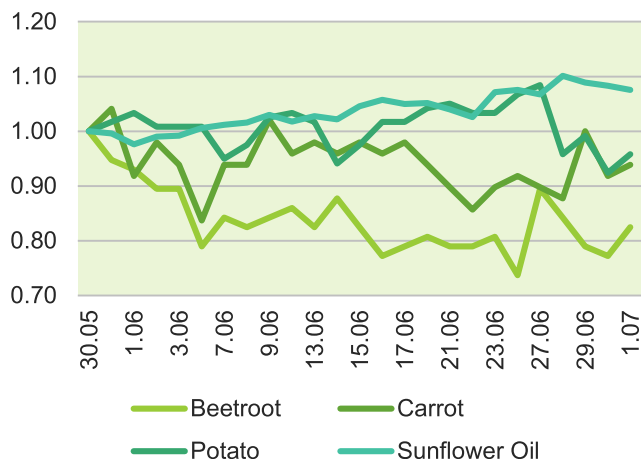
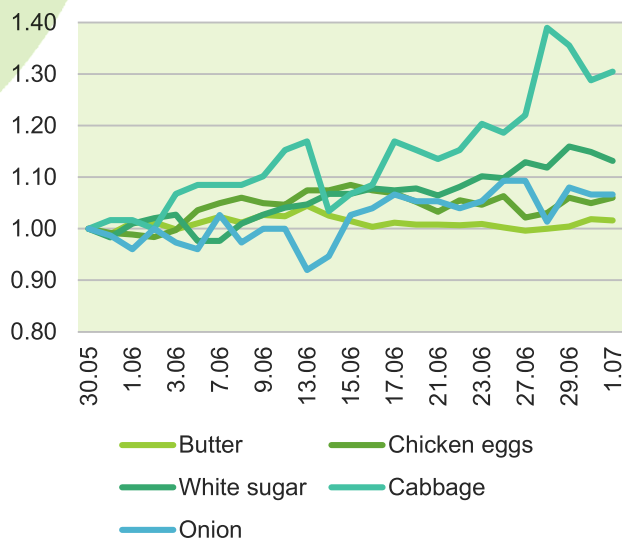
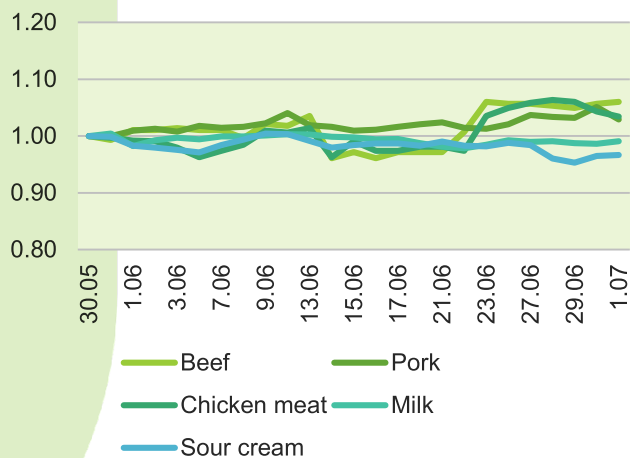
FOOD AFFORDABILITY ↑ MARGINAL IMPROVEMENT AT A NATIONAL LEVEL

By the end of June, as compared to the period of May 23-27, the most significant increase in the average number of assortments of food commodities available within one commodity group was observed in Rivne (+9.4%), Dnipro

(+9.5%) and Chernihiv (+8.4%) regions. The situation in Bakhmut - a city mere miles from the frontline, which was already challenging in May, did not improve throughout June. As of June 21, the average number of assortments of food products available within one product group decreased by 16.1%, as compared to May 23-27. After June 21 no data for Bakhmut is available. The reason for this is the active military actions moving closer to the city and Bakhmut being one of the directions for the further RF's offense. Two more cities where a significant decrease in assortment was observed, are Ivano-Frankivsk (-11.4%) and Poltava (-12.2%). In other cities, no significant change was observed in June.

As of July 1, compared to May 29, availability of cabbage increased by 30.5% due to the arrival of new harvest to the stores. Also, there is an increase in the availability of millet (+14.1%) and white sugar (+13.2%). On the other hand, the availability of beetroot suffered the most significant decrease (-17.5%) due to decreased production this year – Kherson region, which is leading in beetroot production in Ukraine, is partially occupied. Beef availability, which was low in the previous periods, improved by 6%. For other categories of products, no significant changes have been observed. Graphs below demonstrate daily changes in the number of product assortment available in Ukraine.





Note: Vertical axis indicates indices of daily change in average number of products within a food category in all of the retail stores analyzed (with the base date of May 29th)

Source: own estimations based on data collected from websites of food retail chains.

AGRI & LAND POLICY IMPROVING REGISTERS LEGISLATION

On June 30, as compared to May 27, changes/additions were made to the existing legislation, and new procedures were approved, in particular:

On May 31, amendments were made to the Law of Ukraine "On State Land Cadastre". Changes were made in order to increase the quality and efficiency of administering of State Land Cadastre and improving cadastre usage mechanisms. The fee for the provision of administrative services (land plot registration, issue of certificates/extracts) was established in order to provide financing for workers' wages and automated cadaster system maintenance. Besides that, a new mechanism of cadaster errors correction was approved, as well as the legal mechanism for appealing against the actions of state cadastral registrars.

On June 21, amendments were made to the resolutions of the Cabinet of Ministers about registers, the holder of which is the Ministry of Agrarian Policy and Food of Ukraine. Changes affected the legislation on registries - including the registry of seed-growing entities, agronomists-inspectors registry, conformity assessment bodies registry, certificates for seeds/planting material registry, and the agrarian registry. Main changes included:

- Transfer of registries from paper to online format and creation of electronic user cabinets in order to minimize paperwork and facilitate the use of the registers.
- Assign the functions of the administrator of the registries to the state enterprise "Agrarian Registries", which will be responsible for the deployment of the mentioned Registries.

On June 24, the procedure for using the funds provided by the state budget to support farms and other producers of agricultural products was approved. Ministry of Agrarian Policy and Food of Ukraine is responsible for managing the funds allocated within the framework of EU air programs supporting farms and other producers of



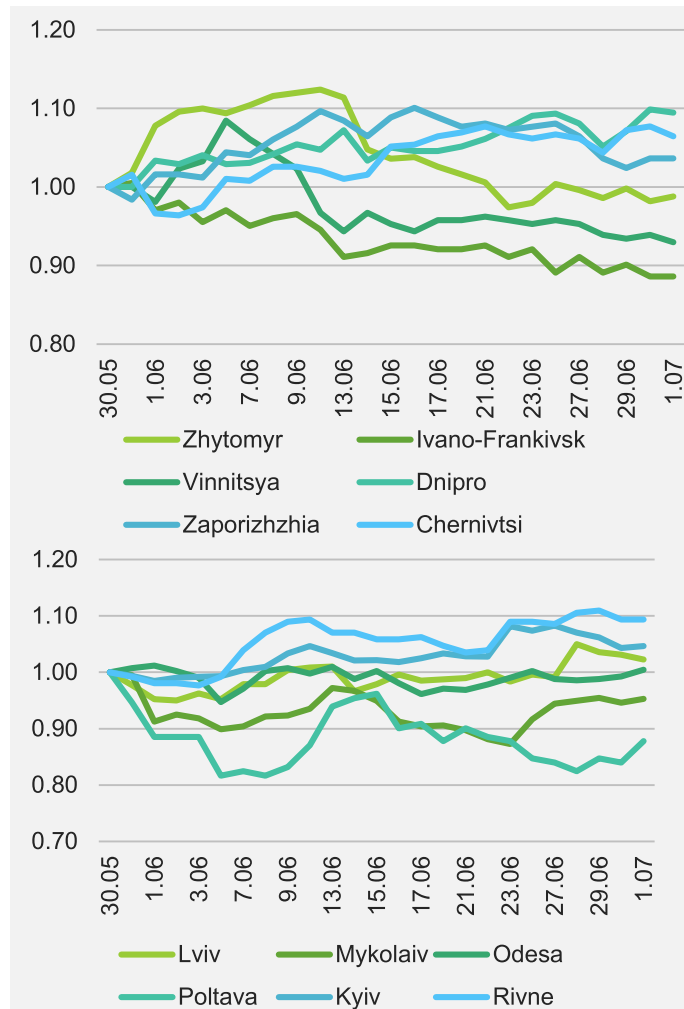
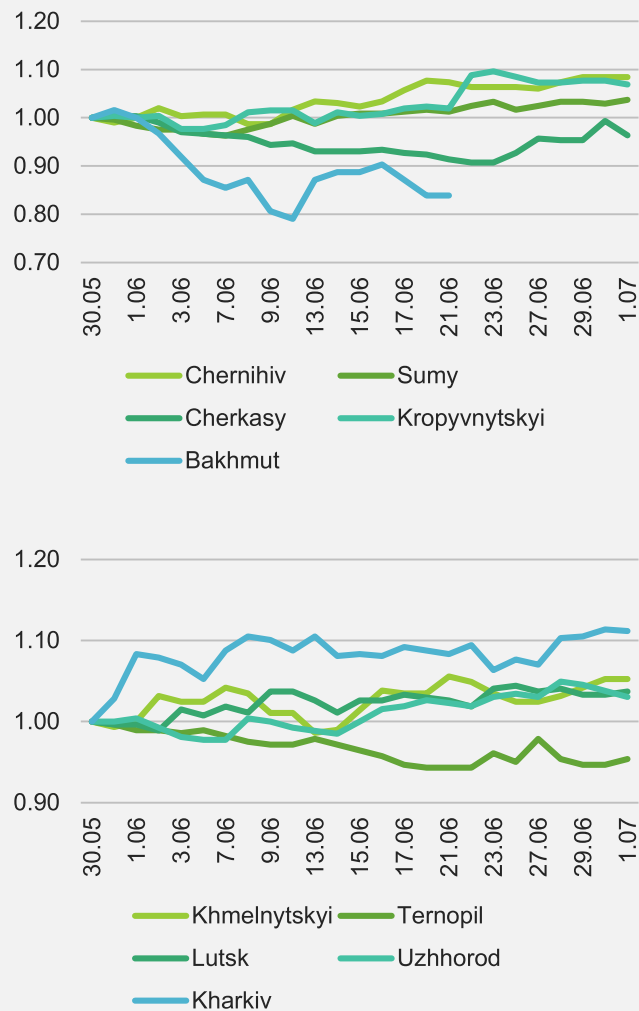
agricultural products. Funds are provided to the following categories of producers:

- farmers or other producers of agricultural products, who own/rent from 1 to 120 hectares of agricultural land. Funds are provided in the amount of UAH 3,100 per hectare, but no more than UAH 372,000 for one recipient;
- farmers or other producers of agricultural products, which own cows. Funds are provided in the amount of UAH 5300 per cow, but no more than 530000 for one recipient.



ANNEX

Daily change in the average number of products assortment available per region:



Note: Vertical axis indicates indices of daily change in average number of products within a food category per region (with the base date of May 14th)

Source: own estimations based on data collected from websites of food retail chains.

The respective authors are responsible for the content of their publications. Views expressed in the publication do not necessarily reflect the position of all involved parties.

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