

UPSC MAINS ANSWER WRITING

Q. Russia - Ukraine crisis is not the only reason for the global wheat prices to increase rapidly. Justify this statement.

Ans:-

Not only the reasons of wheat crisis by Russia - Ukraine war but also some weather factor and last year 2021 food shortage supply also all around the world.

Some of the factors involved in it as follows:-

(i) Because of "rising input prices, concerns about the weather and increased market uncertainties stemming from the war in Ukraine, FAO's latest forecasts points to a likely tightening of food markets and food imports bills reaching a new record high".

(ii) The impacts on prices of inputs, including fertilisers, which act as a disincentive for their use by farmers, and therefore can affect yields.

(iii) from last year wheat prices increases by 265 percent between May 2021

and May 2022, with the bulk of the increase coming after February 2022.

(vi) The Ukraine war has definitely impacted production and trade, but not by all that much, and definitely not by enough to justify the dramatic price hikes that are being experienced.

(vii) Both the countries put together accounted for less than 14% of global wheat production in 2021.

(viii) In the Paris milling wheat market the benchmark for Europe, speculators share of buy-side wheat futures contracts has increased from 23% of open interest in May 2018 to 72% of April 2022.

So therefore in the wheat market that not only Russian-Ukraine war is the only reason for wheat crisis it also by the own greed of many major countries to supply of wheat in the market etc.