

WFP Ukraine White Paper

Issue No. 1, December 2024



**World Food
Programme**

Ukraine Country Office
Research, Assessment, and Monitoring Team

Attacks on ports

Ukraine's Ports: Lifeline for Agriculture Amid War and Attacks

Ports have always been the backbone of Ukraine's agricultural exports and its economy at large. In 2024, around 87% of the country's agricultural exports flowed through its ports, with exporters emphasizing that no other transport options could rival the cost efficiency and capacity of seaports. Deep-sea ports enable larger shipments, keeping logistics costs lower than any alternatives.

When war halted exports entirely, the UN-brokered Grain Initiative became a critical lifeline for Ukrainian farmers. This agreement opened a grain corridor, allowing commercial food and fertilizer exports from three key Black Sea ports. Thanks to the initiative, millions of tons of stored agricultural products were exported, easing the pressure on Ukraine's agricultural sector. However, by spring 2023, the corridor's capacity had more than halved as Russian inspections delayed shipments. Ultimately, Russia abandoned the

deal on July 17, 2023, sending wartime insurance premiums soaring. Shipowners faced premiums of 3-5% of a vessel's value—equating to \$300,000-\$500,000 for a seven-day voyage—compared to the roughly 1% rate under the Grain Initiative.

In August 2023 Ukraine launched a new maritime route free from third-party inspections, expanding exports beyond agriculture.

This new corridor increased export volumes significantly, with Ukraine's main deep-sea ports—Odesa, Pivdennyi, and Chornomorsk—leading the way, while Danube River ports like Izmail, Reni, and Ust-Dunaisk offer an alternative route. By November, a special insurance mechanism, backed by both the Ukrainian government and the UK, helped lower logistic costs, further bolstering export activity.

Attacks on ports are not a new thing

After Russia pulled out of the grain deal, a sustained and intensified campaign of attacks on Ukraine's port infrastructure started. Between July 18, 2023, and mid-February 2024, nearly 200 pieces of infrastructure were damaged or destroyed, according to Ukraine's Deputy Prime Minister for

Restoration. These attacks caused significant damage, requiring constant repairs and financial investments. Despite this, the new grain corridor remained operational and even increased its pace.

Over the past few months, however, the scale of the attacks has surged. From August to

October 2024, nearly 60 strikes were reported, damaging or destroying almost 300 pieces of infrastructure, 177 vehicles, and 22 civilian vessels. Yet, despite these attacks, the

sea corridor has remained functional, and export volumes increased in early October compared to the previous month.

What might happen next?

The ongoing attacks pose a significant challenge for both the government and private companies, which must continuously repair damaged infrastructure to keep exports flowing. So far, food exports have remained stable, and farmers are confident that the domestic food supply will not be disrupted. A joint analysis by the WFP and the Kyiv School of Economics (KSE) from September 2023 suggests that while domestic food production could decrease if attacks worsen, it is unlikely to drop below the level needed to meet local demand, avoiding a substantial food security decline.

Still, the situation needs close monitoring. While exports are currently stable, shipping companies may become hesitant to approach Ukrainian ports if security risks escalate drastically. A sharp drop in Ukraine's food exports could push global food security. The attacks are also driving up costs for Ukrainian businesses. With high security risks, logistics costs are rising too. Intensified attacks on ports this autumn have caused rates to climb again. During the first week of October 2024, insurance rates jumped to over 1% of a ship's value, adding about \$125,000 to a \$50 million

vessel's voyage cost according to Bloomberg. Rising export costs could significantly depress domestic grain prices, leaving them barely sufficient to cover production expenses, as was the case in 2022. This threatens to deprive Ukrainian grain and oilseed farmers of critical revenue, pushing many to the brink of bankruptcy. Such a scenario with severe export disruptions could create substantial challenges for the agricultural sector and food supply in the mid-term, especially if cultivating certain crops becomes unprofitable.

Another analysis conducted by the WFP and the KSE proves that farmers are already finding themselves in a challenging position. With rising farming costs and low crop profitability, farmers are under significant financial strain. Many are forced to cut expenses wherever possible, and some even choose not to plant at all to avoid potential losses. For those near the frontline, the challenges are even greater, and with limited government funds, financial support is difficult to secure. Affordable logistics are key to keeping producers afloat amid shrinking profits and depleted financial reserves.