Tomorrow's Affairs
Analysis of today
Assessment of tomorrow

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Climateflation – "The end of cheap food"?

A perfect storm is shaping up for the world's food supply, with summer heatwaves, a looming record El Niño and ongoing disruptions due to conflict in the Middle East bringing back the spectre of steep food inflation, if not starvation.

Of all the upward pressures on the price of food, climate is now, by many analysts, regarded as the main driver over the next few years, sparking increasing talk of enduring 'climateflation'.

The World Food Programme has just sounded the alarm bells, saying that in more vulnerable countries, this can lead to worsened food insecurity into 2027.

In Europe, hit by rolling heatwaves and wildfires from the Mediterranean all the way up to Norway, these concerns should come as no surprise.

The destruction of large areas of grain, wheat and corn production, the stress on vineyards and cattle and much more mean that the continent's yield of many agricultural products, from olive oil to Champagne to dairy, is going to be affected.

The European Commission, although now freeing up funds to combat the fires and their consequences, appears to have been caught somewhat flat-footed, with a report in early July still sounding upbeat about the EU's crop yields.

In the UK, a decrease in food inflation over the summer was accompanied by forecasts of a reversal later this year and into 2027.

El Niño effect

In Asia too, alarm bells are ringing over the expected El Niño effect. Many economies are already reeling from the increased costs of fertiliser and other petrochemical products due to the war in the Gulf, with inflation rising across the board.

Reductions in the production of key staples due to El Niño are already making many central banks in the region expecting rate rises later this year or in 2027.

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Japan's Nomura also warned recently that lower crop yields could see a return of export controls, especially on rice, in countries such as India, Indonesia and Vietnam.

This would then have a ripple effect on global rice prices.

In Latin America, many countries are expecting similar crop shocks, although, conversely, more rainfall might help Argentina get inflation under control. That country is one of several that might actually benefit.

North America presents a mixed picture for now, with many US crops on target for record yields but summer heat and droughts now starting to pose problems for others.

Underlying structural global heating

While much of the attention of the current threat to crop yields is focused on El Niño, it's the underlying structural global heating that both amplifies the weather phenomenon's effects and poses the biggest long-term risk.

With the global temperature rise currently at 1.4 degrees Celsius compared to pre-industrial times, the chances of certain extreme heat events have tripled, according to IPCC models.

Other studies, for example, by the climate science group World Weather Attribution and also according to papers submitted to Nature, show an even more worrying increase in frequency as well as intensity.

As global temperatures keep climbing, these effects will increase, in some cases exponentially.

Europe offers a preview of what this entails. It is the continent with the fastest rising temperatures, sitting more than 1 degree above the average global increase.

The effects are not confined to wildfires, however dramatic they might be. The droughts that contribute to these are an enormous structural and long-term problem.

They empty out the continent's rivers, nixing irrigation and wreaking havoc with groundwater reserves. The low summer volume in the rivers also makes navigation much trickier and contributes to food-distribution problems.

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Extremely low summer levels in major European waterways and arteries such as the Rhine and the Rhone are to a large degree caused by the shrinking, and even disappearance, of especially Alpine glaciers.

Reduced winter snowfall also contributes and is a main driver of reduced volumes in the Danube.

Add to this a reduction in rainfall or, in some places, a shifting pattern of rainfall, and a plethora of challenges for European agriculture emerges.

Salinisation and saltwater intrusion pose problems across the board, even in areas that are not coastal. Another example is increased erosion due to dried out soil being swept away by unusually heavy rains.

For this year alone, one European agricultural trade association, COCERAL, already adjusted its forecasts for many crops, including grain in early July.

"COCERAL sees the total 2026 grain crop in the EU-27+UK at 286.6 mln t, down around 9 mln t from 295.5 mln t in the June forecast and from the 310.0 mln t seen last year," its report said.

While failed or reduced local crops of grain, wheat and corn, for example, are in Europe mitigated by global supply chains, shortfalls in other staples, such as dairy and eggs, can have an immediate local effect.

Warnings of climateflation and food insecurity

What for many middle-income earners in wealthier countries will mean an adjustment of spending patterns might become a matter of life and death in poorer areas of the world.

The WFP this week issued a dire warning: "Analysis from the United Nations World Food Programme (WFP) shows that the strengthening El Niño weather pattern is set to significantly worsen food insecurity in some of the world's most vulnerable countries into 2027."

This is set to push almost an additional 50 million people into a situation where they're unable to meet their daily nutritional needs.

The WFP says these populations are concentrated in parts of Central America and southern Africa, "with significant effects also anticipated in eastern Africa and south and southeast Asia."

The strengthening El Niño weather pattern is set to significantly worsen food insecurity in some of the world's most vulnerable countries into 2027 - WFP

The warnings of climateflation and food insecurity might sound to some like earlier dire predictions of a world unable to feed itself, from Malthus to the Club of Rome in the 1970s.

At least as far as the latter is concerned, the assumption that they got it wrong is based on a misconception.

Particularly the updated versions of the Club of Rome reports point at the current developments and timeframes.

Some of those less inclined to believe in the effects of climate change have recently resorted to circular arguments to explain away the rise in food prices, saying that these should be measured against inflation, while the rise in food costs is itself a major driver of inflation.

In some ways the general public has already voted with its feet in terms of accepting climate change and its impact on the food supply.

A working paper by the European Central Bank earlier this year found that the anticipation of further climate and food shocks among consumers can significantly raise the long-term expectation of inflation.

At the very least, as UBS warned in a recent report, climate change together with other drivers could mean “the end of cheap food”.