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Black Sea countries: Grain production & exports Key trends & outlook

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Moscow, 2015

SovEcon Profile

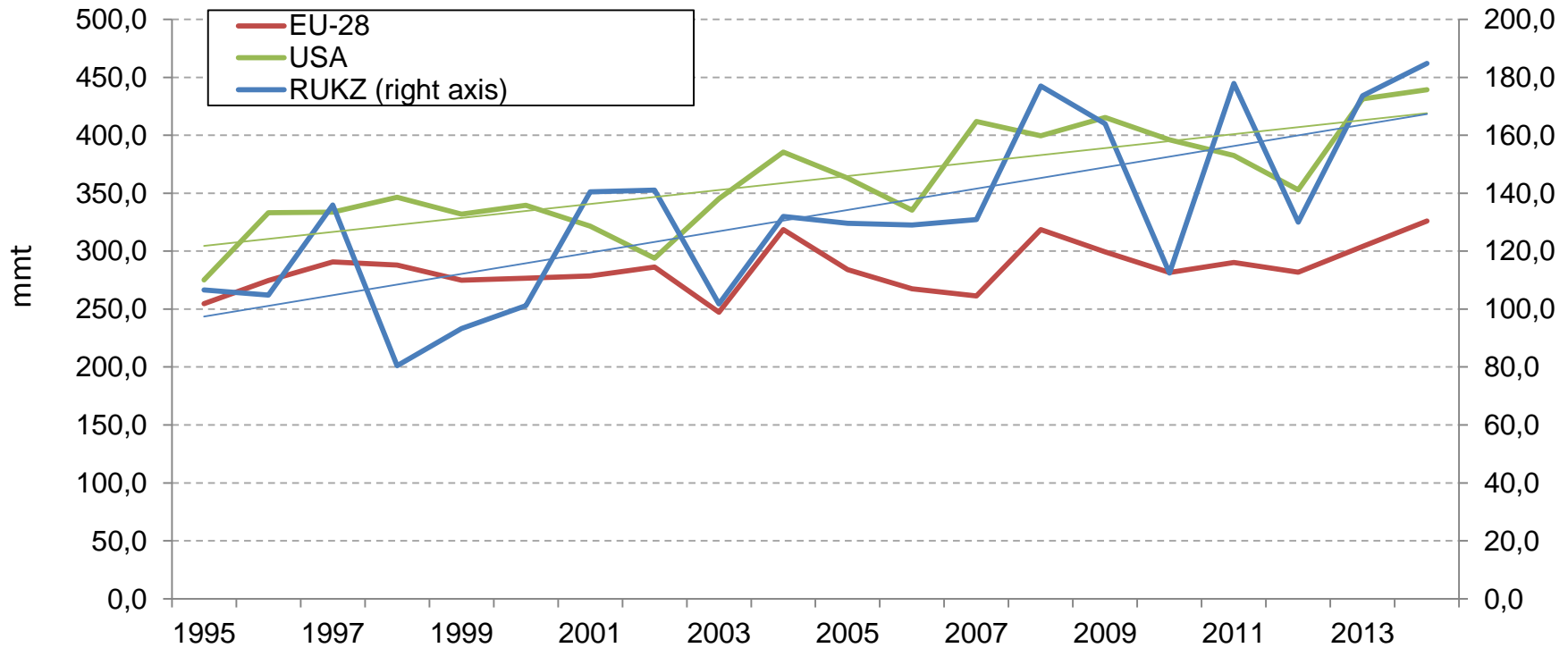
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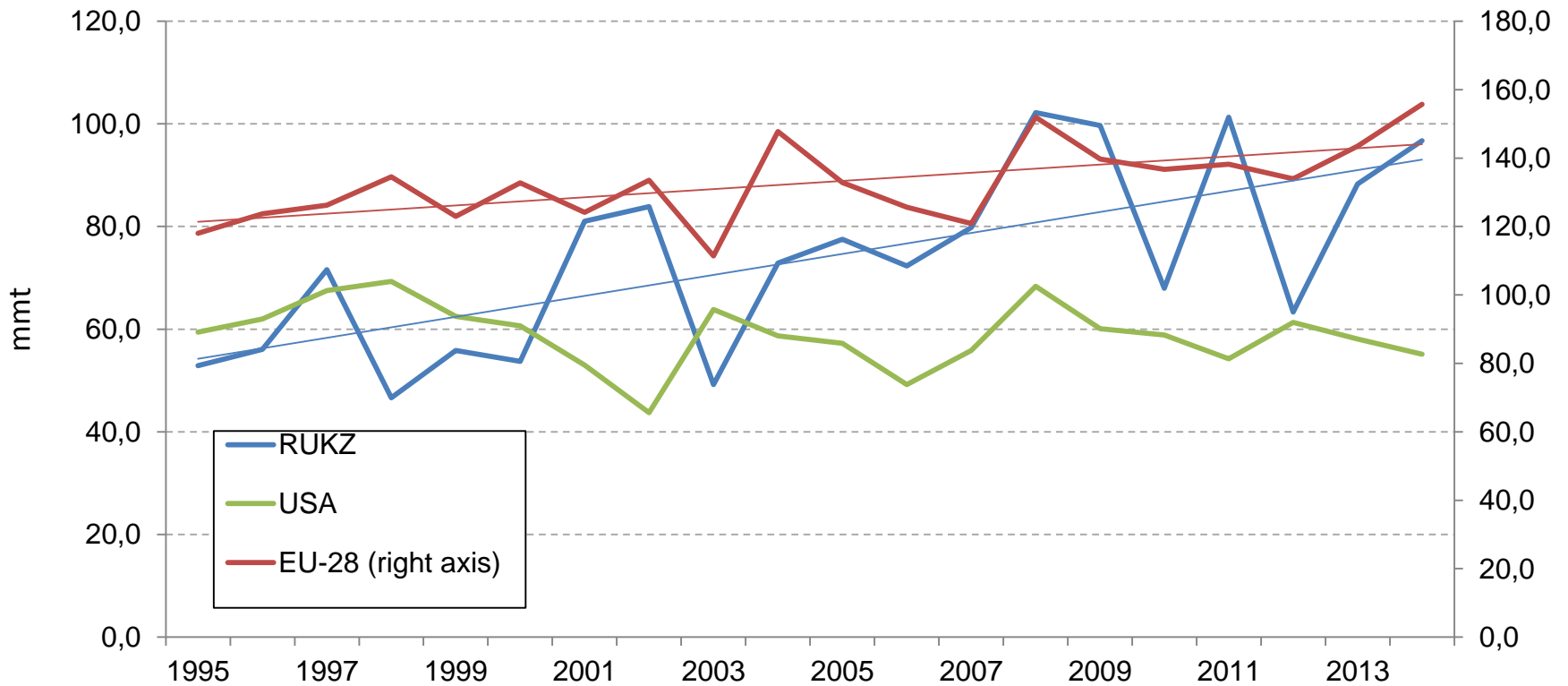
Russia, Ukraine, Kazakhstan (RUKZ) grain production & export trends

Russia, Ukraine, Kazakhstan: fast growth of grain production: +80% in 1995-2014



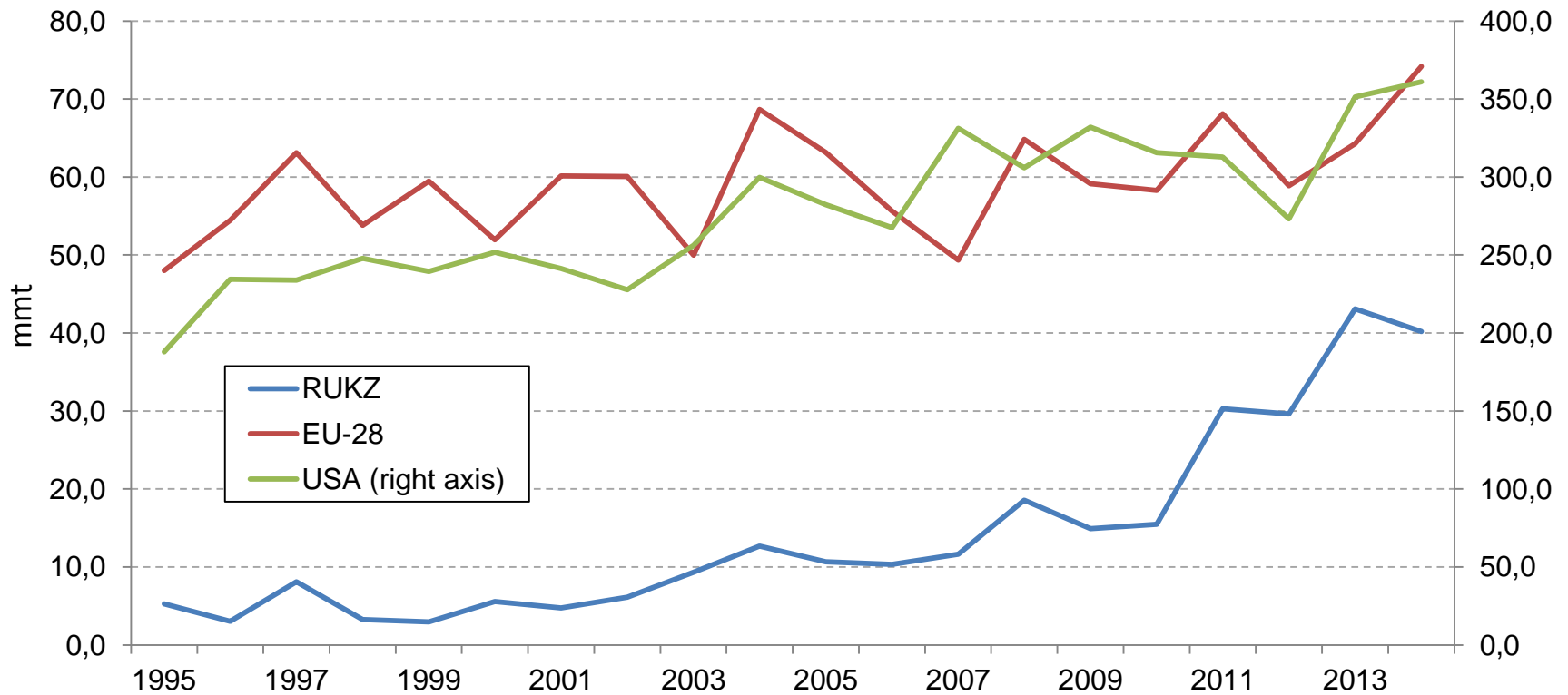
Source: Rosstat, Ukrstat, Kazstat, USDA

RUKZ: Wheat production +80% in 1995-2014



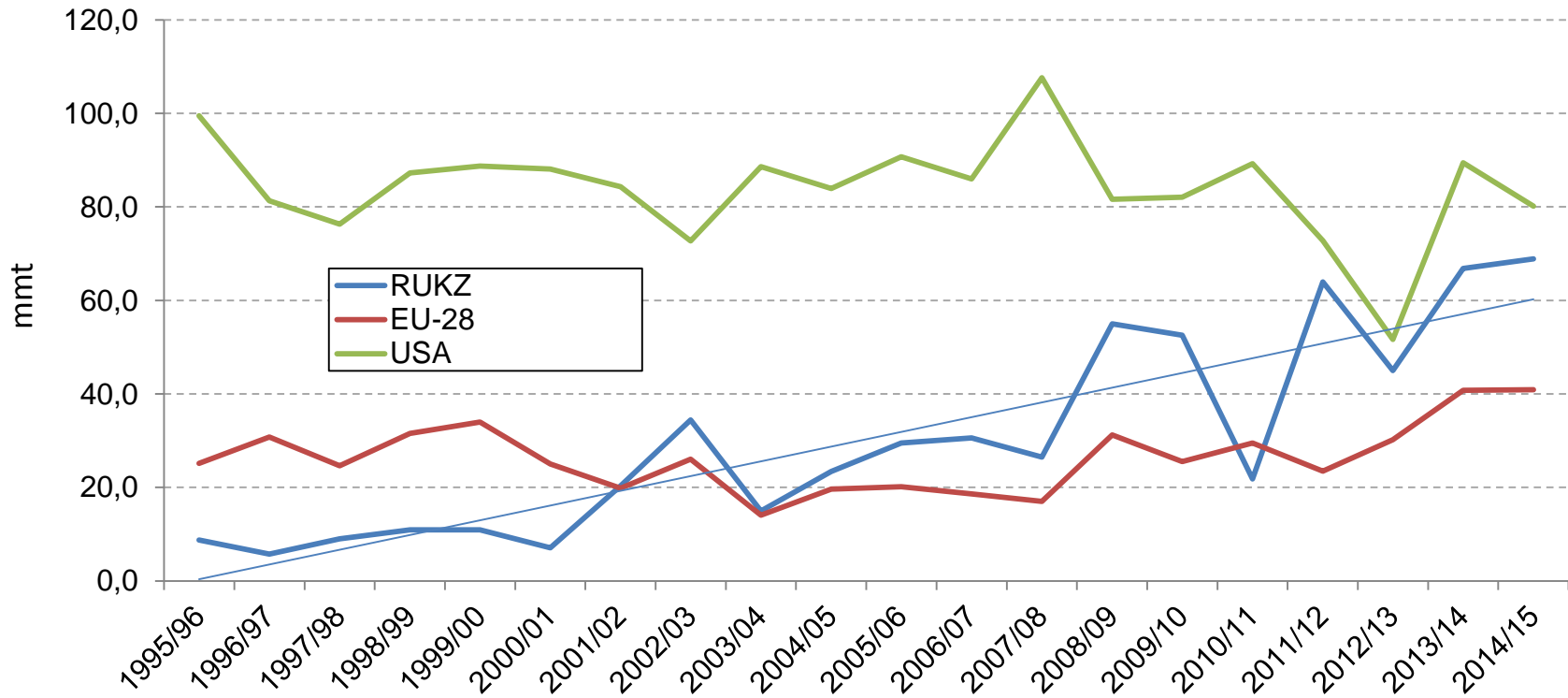
Source: Rosstat, Ukrstat, Kazstat, USDA

RUKZ: Corn production increased 8 times in 1995-2014



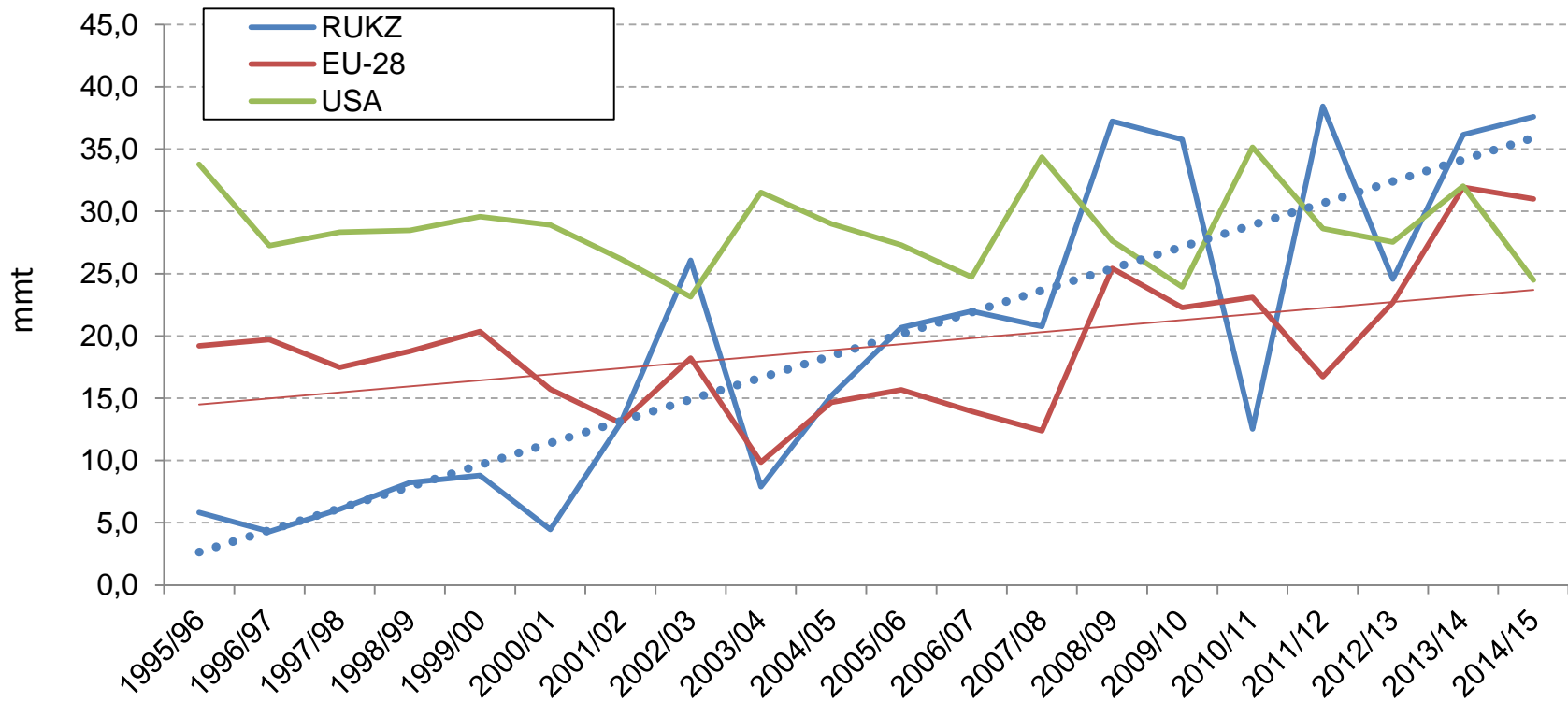
Source: Rosstat, Ukrstat, Kazstat, USDA

RUKZ grain exports grew 7,5 times



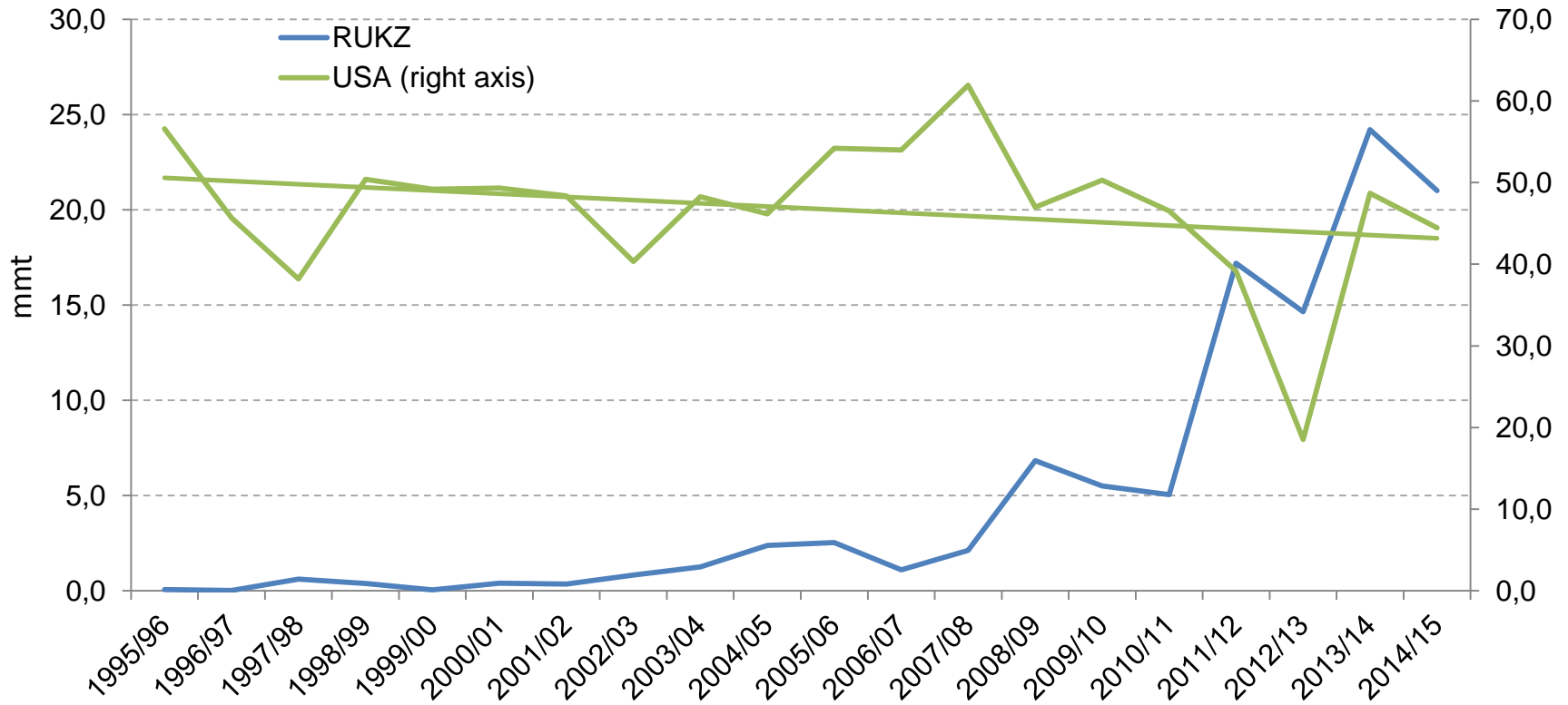
Source: Federal Customs Service, USDA

RUKZ wheat exports increased 6 times, mln t



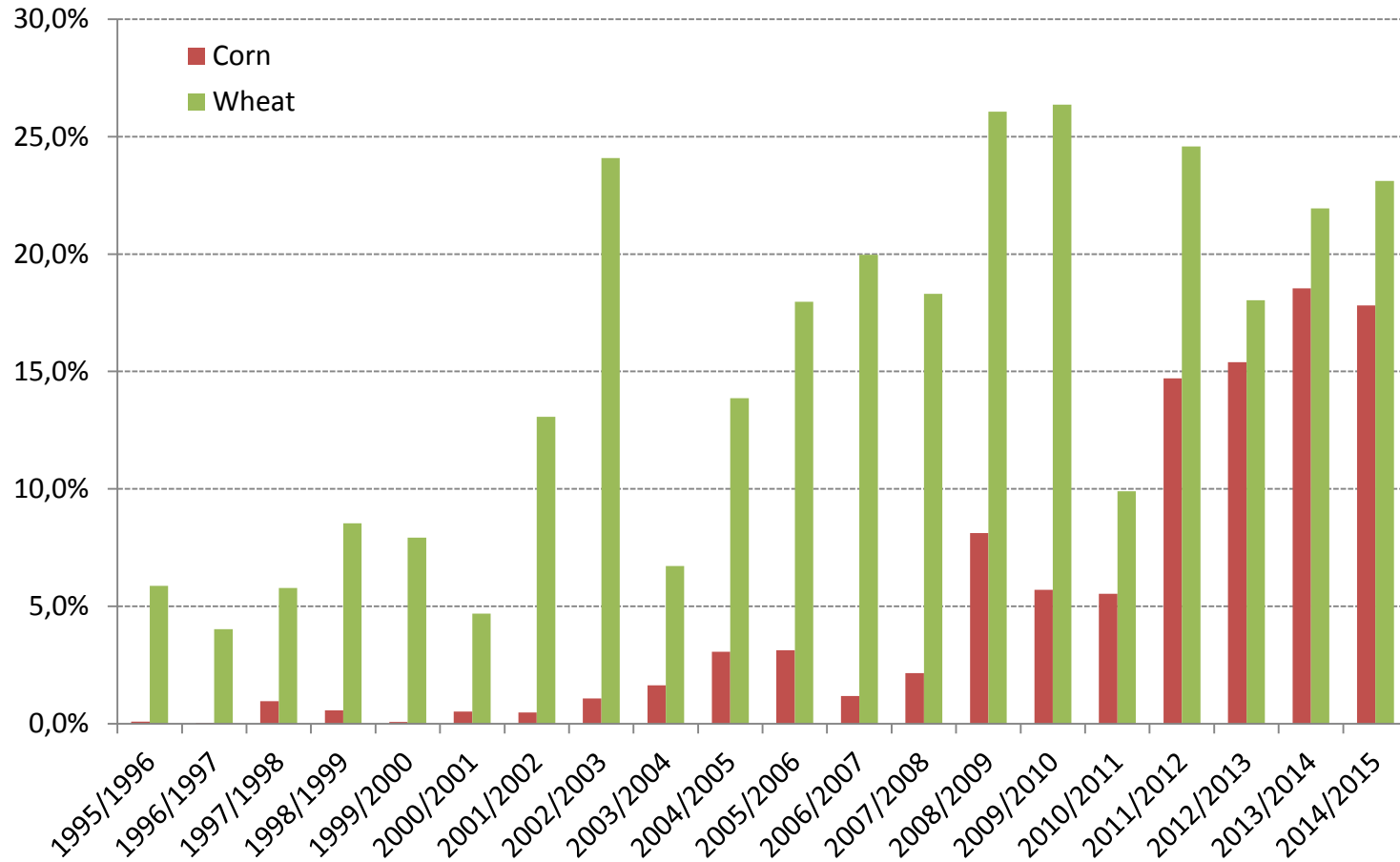
Source: Federal Customs Service, USDA

RUKZ corn exports from 0 to 21 mln t



Source: Federal Customs Service, USDA

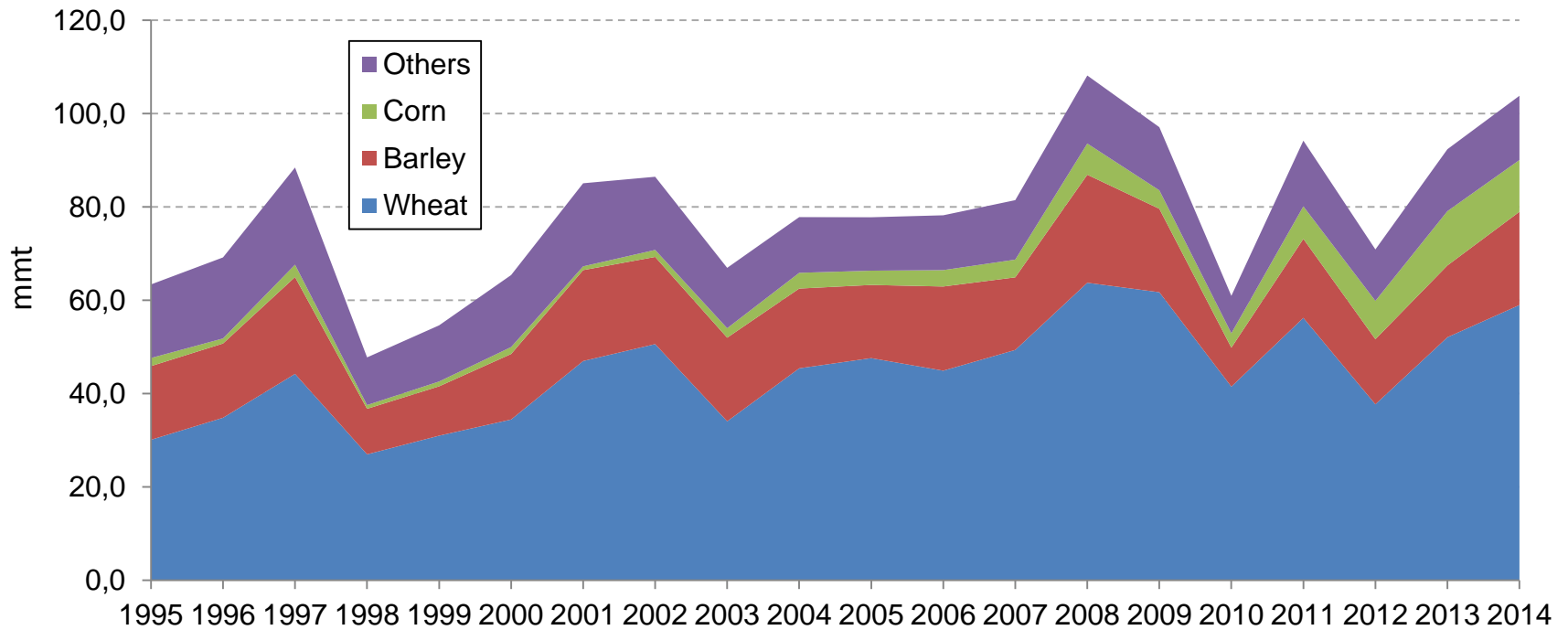
RUKZ share in world grain exports



Source: Federal Customs Service, USDA

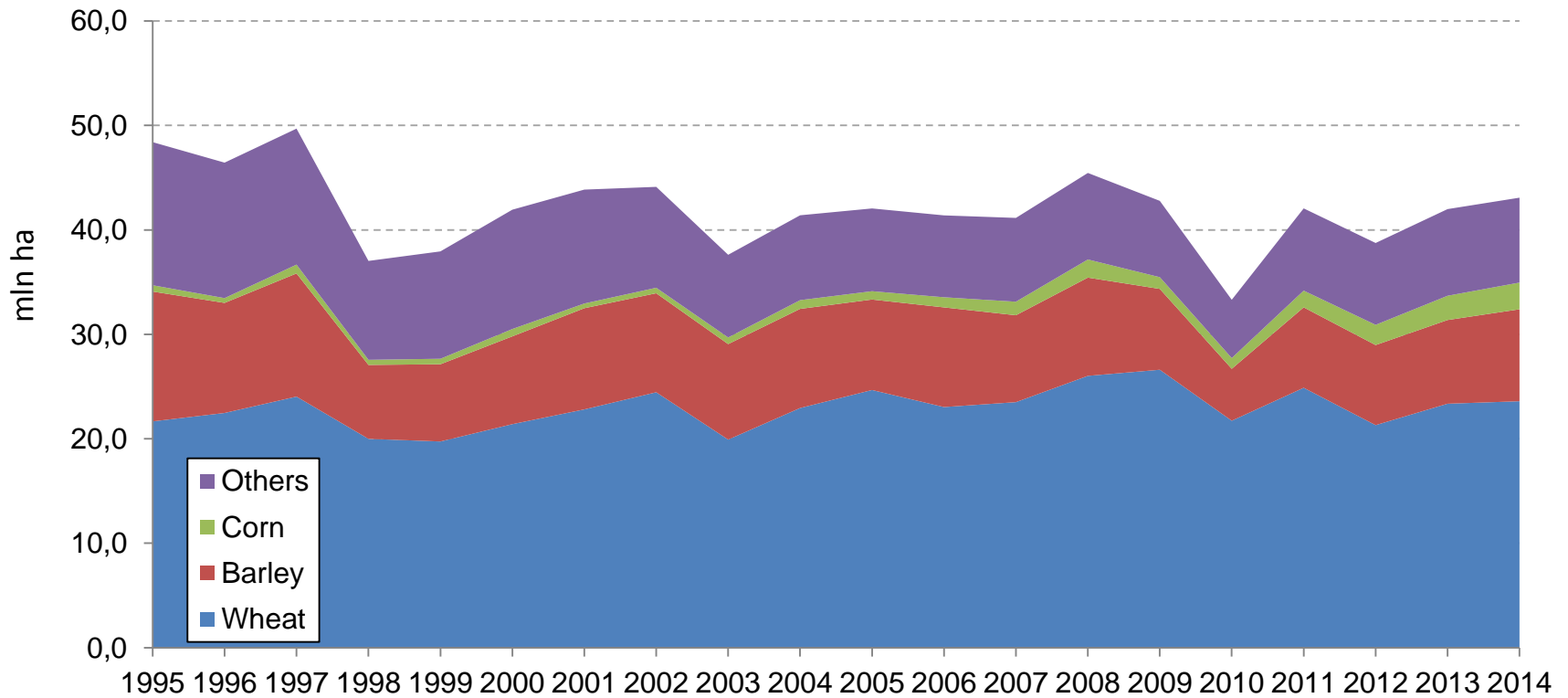
Russia

Russia: Grain production +70%



Source: Rosstat

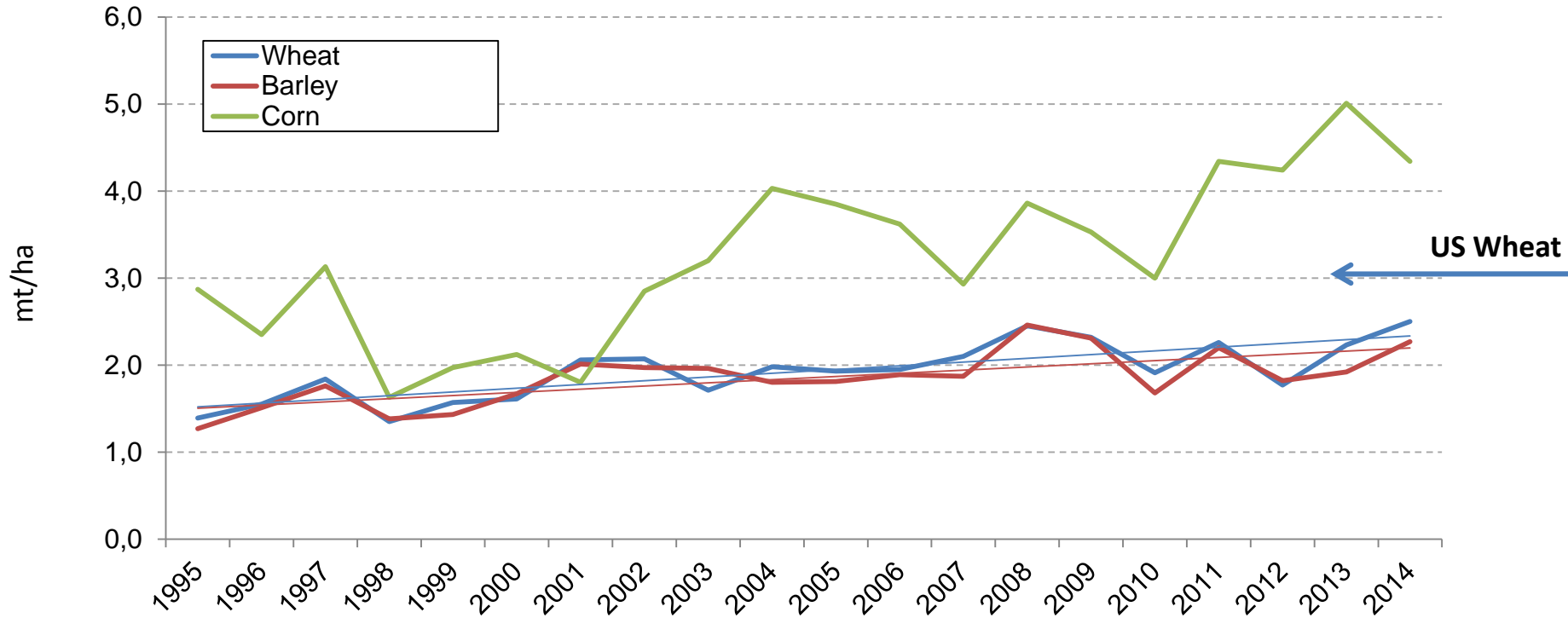
Russia: Grain harvested area, mln ha



Source: Rosstat

Russia: Grain yields, t/ha

US Corn, 11 mtha

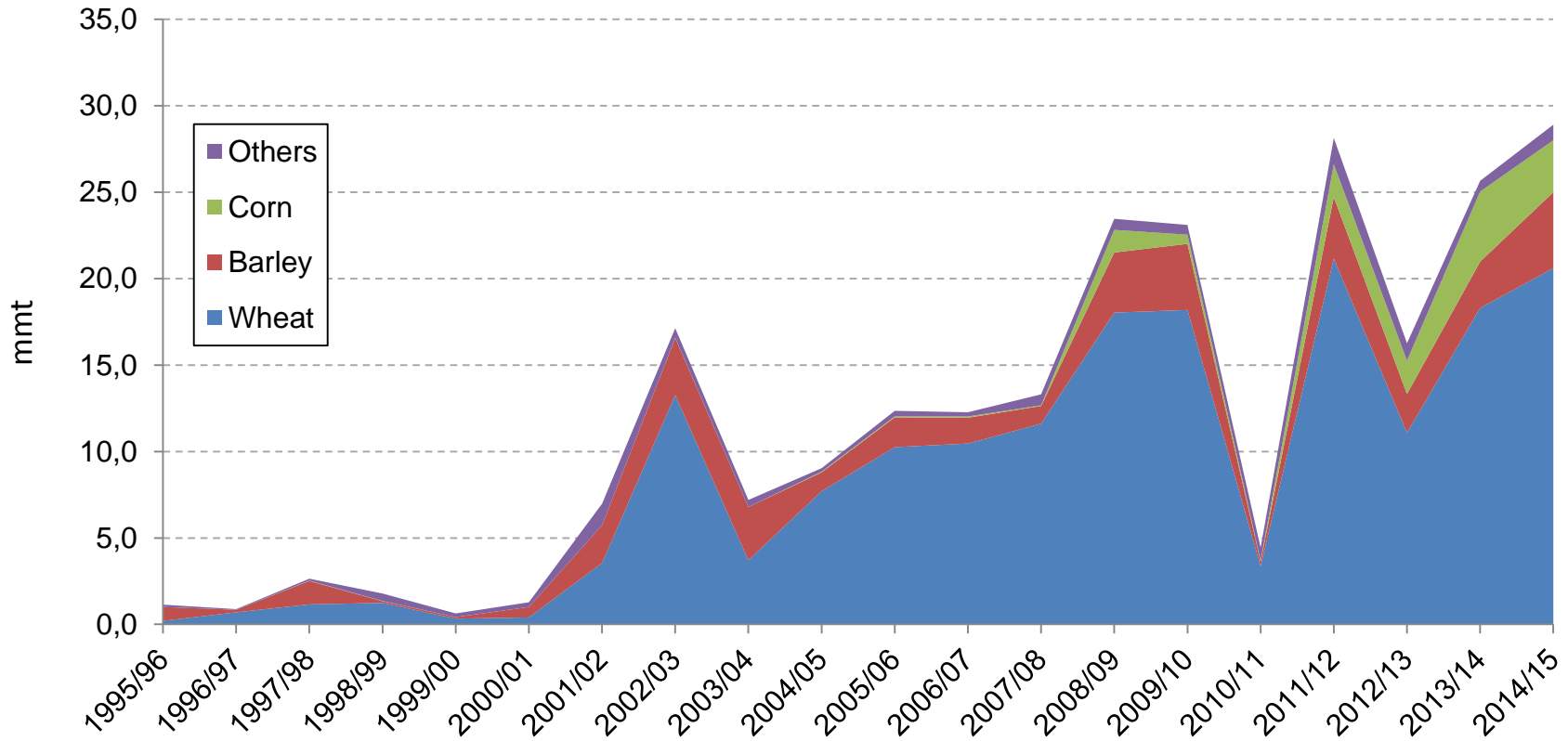


US Wheat



Source: Rosstat

Grain exports, mln t



2014/15 export estimates: wheat 20.6 mmt (USDA 20.0), corn 3.0 mmt (2.5), total grain 29

Source: Federal Customs Service, SovEcon

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UPDATE 2-Russia says grain export ban not on the agenda

Fri Sep 5, 2014 12:00pm GMT

- * Ministry denies sending grain export ban proposal to PM
- * Copy of letter seen by Russia's Grain Union, Reuters
- * Deputy PM says issue not on the agenda (Recasts with government comment, adds details, quotes, context)

By Polina Devitt and Darya Korsunskaya

MOSCOW, Sept 5 (Reuters) - Russia, one of the world's largest wheat exporters, said on Friday it was not considering grain export curbs as an option to balance domestic demand during the 2014/15 marketing season.

Arkady Zlochevsky, head of Russia's Grain Union, said earlier that Russia's Agriculture Ministry made such a proposal in a letter addressed to Prime Minister Dmitry Medvedev. Reuters also obtained a copy of the letter, dated Aug. 26.

"The issue is not on the agenda," Deputy Prime Minister Arkady Dvorkovich was quoted as saying by Itar-Tass news agency on Friday.

Dvorkovich's spokeswoman Aliya Samigullina told Reuters the government was not considering grain export restrictions as it would only use market methods of regulation.

Samigullina said the letter from Agriculture Minister Nikolai Fyodorov to Medvedev included a list of options related to monitoring the grain market situation, not proposals.

Russia shocked grain markets with a one-year export ban in 2010 when drought ravaged that year's harvest. The move was a catalyst for a rise in grain prices and political instability in the import-dependent Middle East and North Africa.



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Bunge exec sees no sign Russia will limit wheat exports

Wed Dec 10, 2014 4:42pm EST

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Traders eye late-year run-up in soy vs wheat spread: Maguire

Putin urges to develop Russian science to fend off sanctions

Russia limits poultry imports from U.S.

Dec 10 (Reuters) - Bunge Ltd, one of the world's largest agricultural trading houses, sees no signs that Russia will limit wheat exports as some traders have feared, the company's managing director of global agribusiness said on Wednesday.

"Today we have not seen any intervention and we have no signs that anything is about to happen," Brian Thomsen, who leads Bunge's agribusiness operations, said in a webcast of a company



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UPDATE 2-Russia might yet break promise to avoid grain export curbs - analysts

Tue Dec 16, 2014 9:18am EST

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Russia's 'difficult' rate hike approved by Putin

Russia raises rates in emergency move as ruble collapses

UPDATE 5-Russian traders

- * Russia's AgMin to raise prices for restocking programme
- * Analysts say new state price is too low for large buying
- * SovEcon does not expect grain export curbs till mid-Feb (Writes through, adds market reaction, context)

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REUTERS

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GRAINS-Wheat hits 6-month high on Russia worries; soy, corn firm

Thu Dec 18, 2014 3:50am IST

- * Wheat soars 4 percent on fears of Russian export slowdown
- * Corn higher on strong U.S. ethanol output
- * Soy firm, led by meal; South American crop prospects cap gains

(Adds details, closing prices)

By Julie Ingwersen

CHICAGO, Dec 17 (Reuters) - Chicago Board of Trade wheat futures surged 4 percent on Wednesday, rising for a fifth straight session on worries that Russia, a key global supplier, might restrict exports to cool domestic prices, traders said.

Strong U.S. ethanol production bolstered corn, while soybeans firmed on technical buying.

CBOT March wheat settled up 25-1/4 cents at \$6.48-1/2 per bushel, after reaching \$6.50-3/4, the highest spot price on

Russia Plans Grain-Export Duties to Combat Rising Bread Costs

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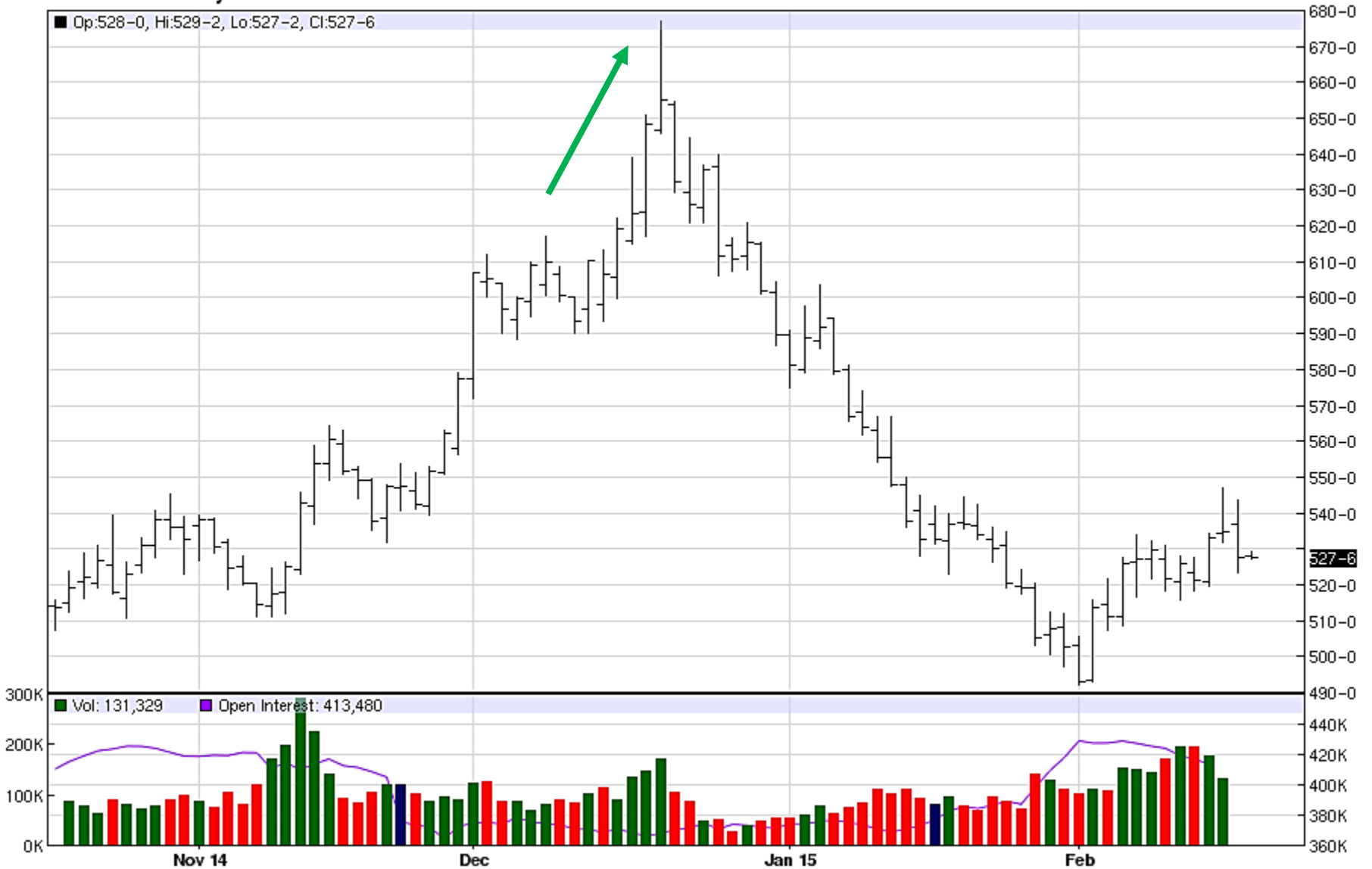


by
Anatoly Medetsky and
Olga Tanas

(Bloomberg) -- Russia, the world's fourth-largest wheat exporter, plans to introduce export duties on cereals as it tries to rein in domestic prices that leapt amid the rout in the country's currency.

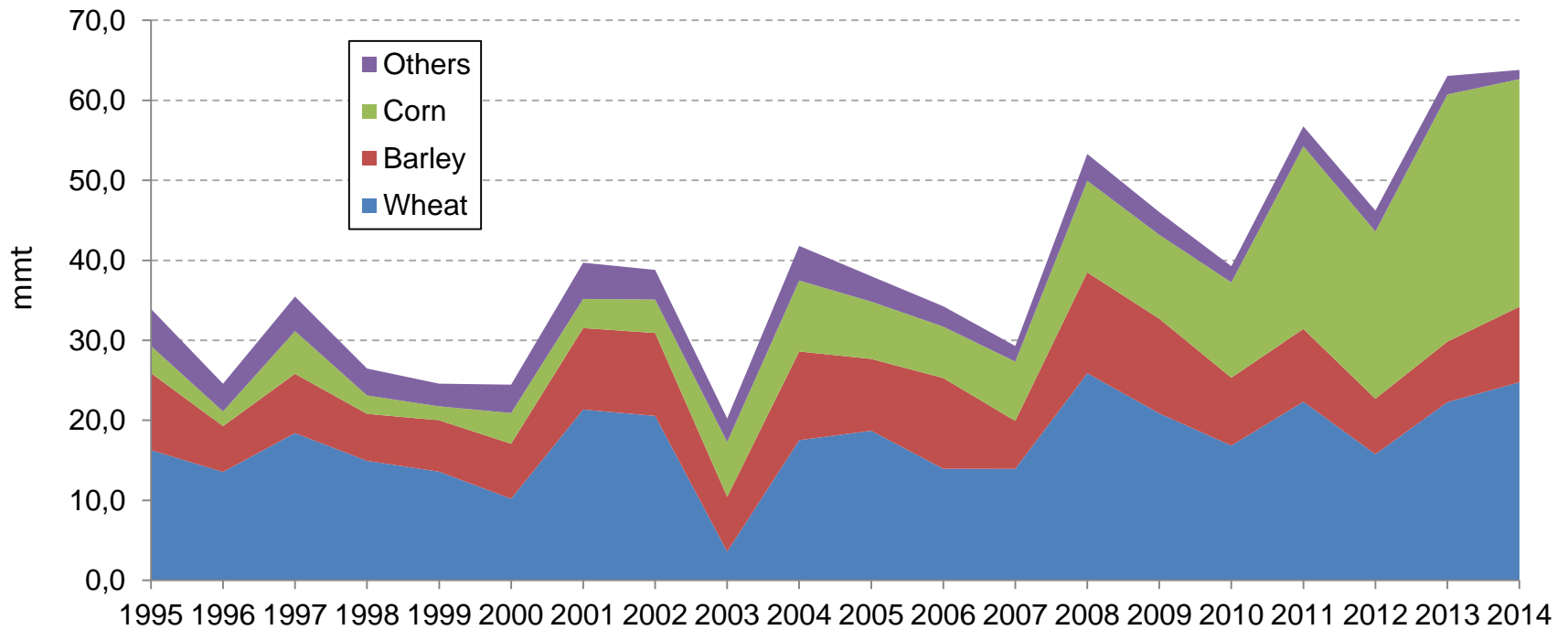
3:06 PM EAT

ZWH15 - Wheat - Daily Nearest OHLC Chart



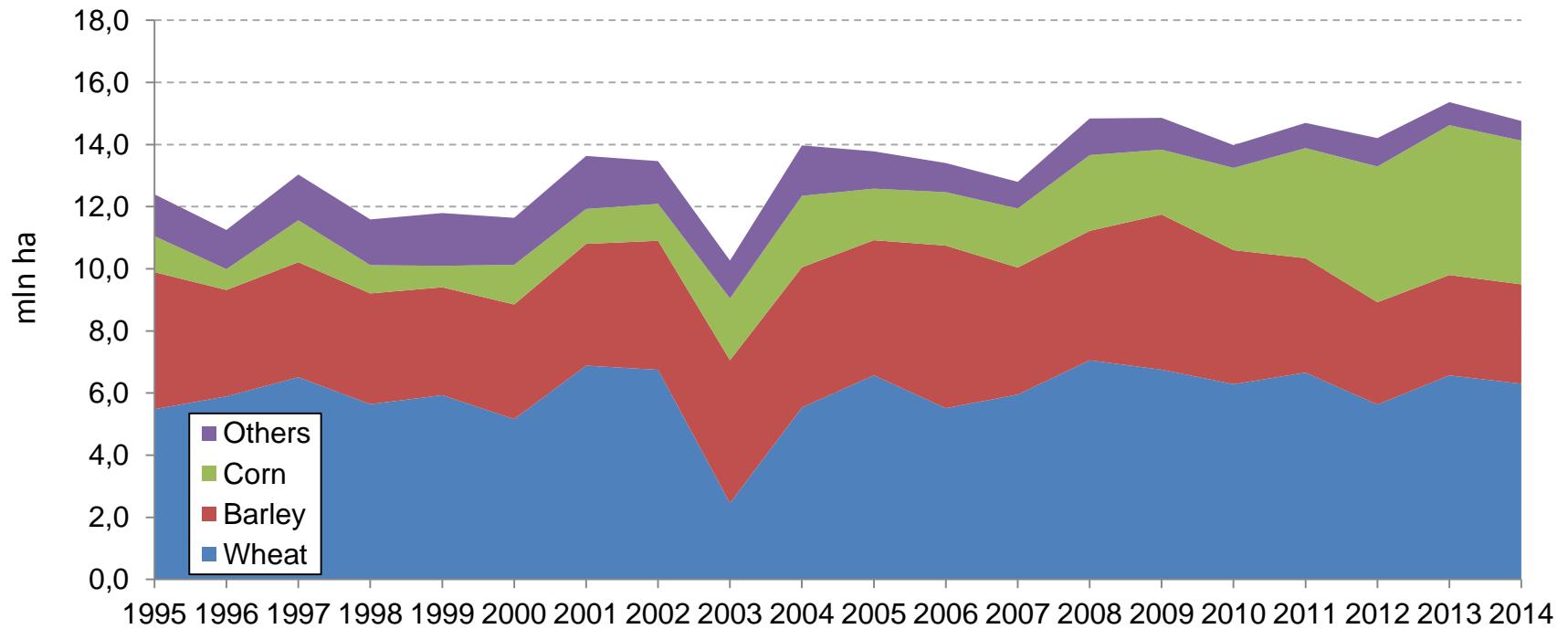
Ukraine

Ukraine: Grain production +90%



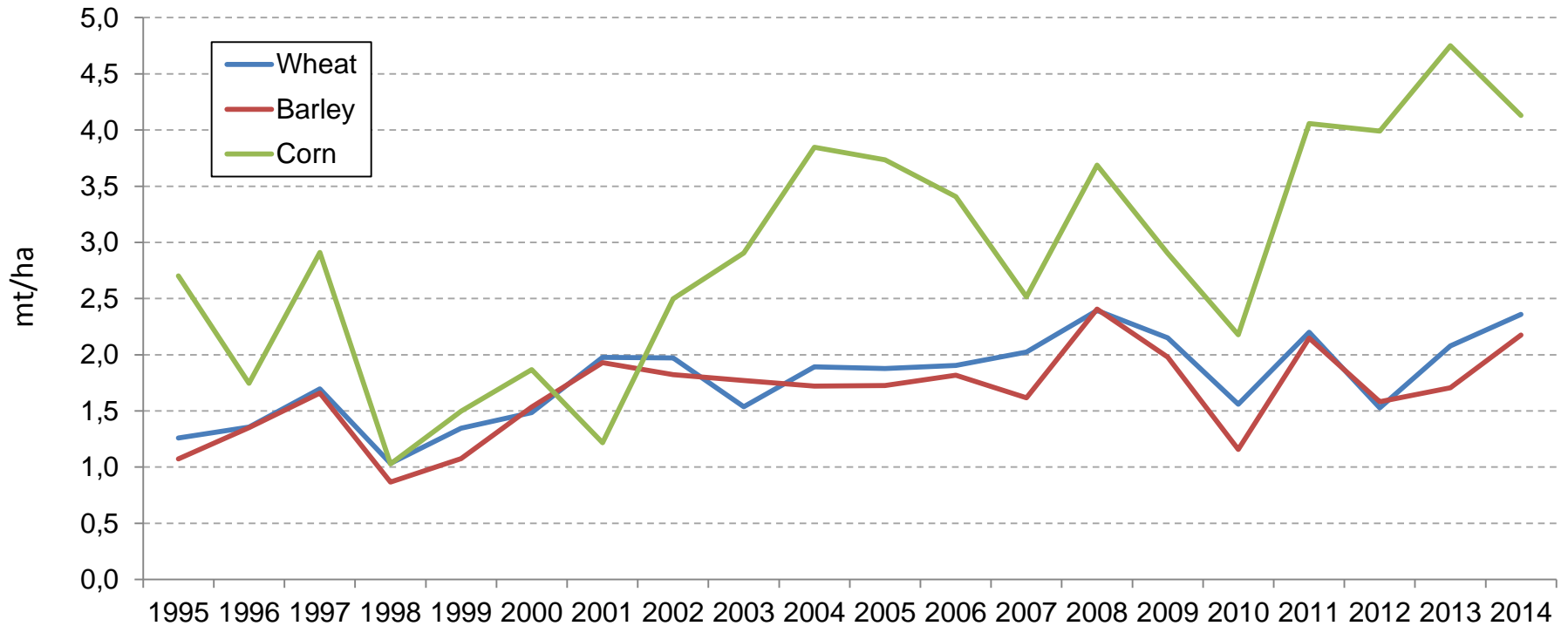
Source: Ukrstat, USDA

Ukraine: Grain harvested area +20%, mln ha



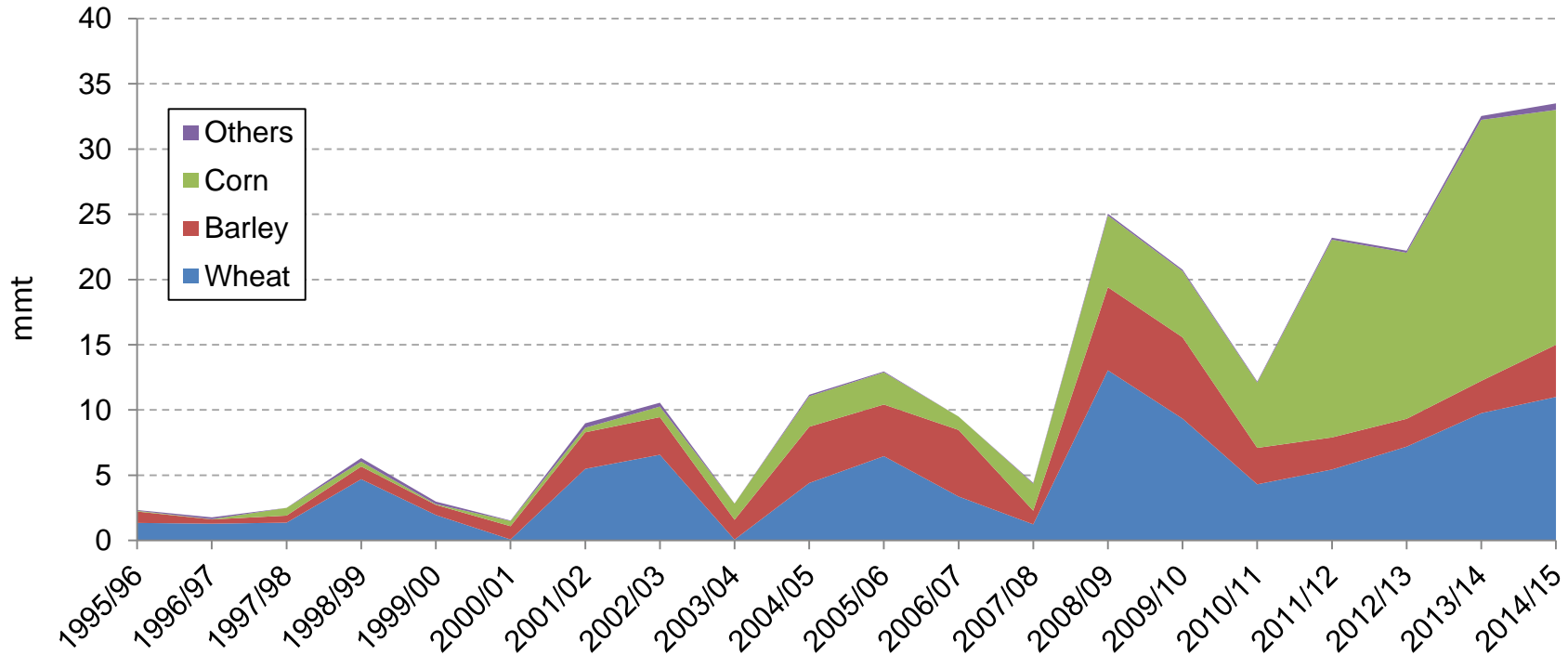
Source: Ukrstat, USDA

Ukraine: Grain yields, t/ha



Source: Ukrstat, USDA

Ukraine: Grain exports, mln t

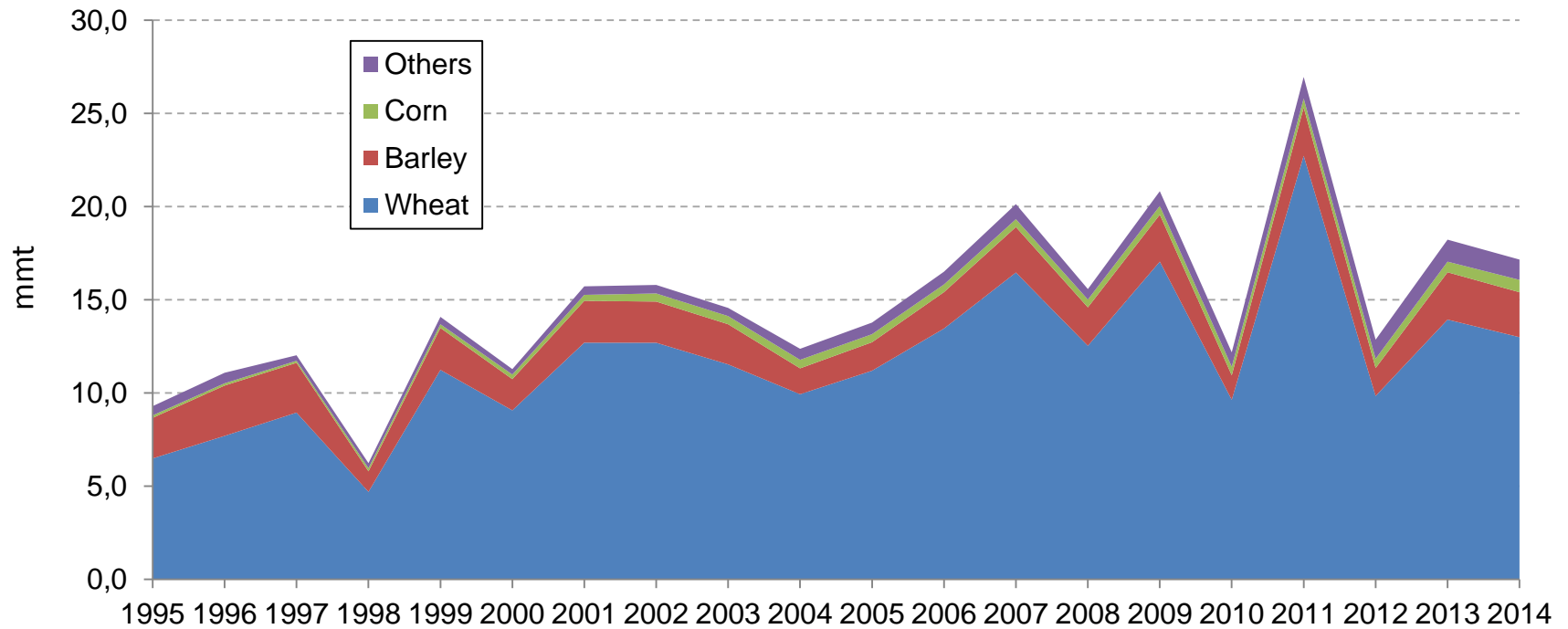


2014/15 export estimates: wheat 10.5 mmt (USDA 11.0), corn 18.0 mmt (18.0), total grain 33

Source: USDA, SovEcon

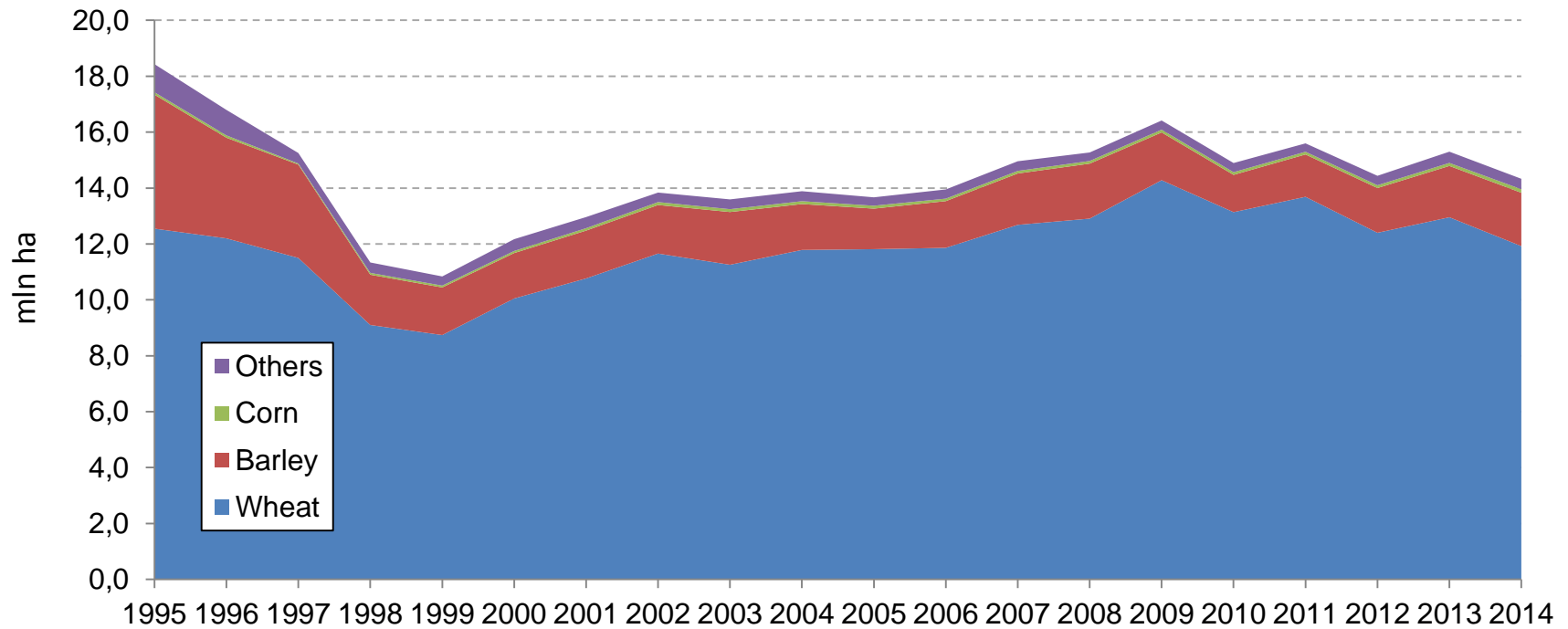
Kazakhstan

Kazakhstan: Grain production, mln t



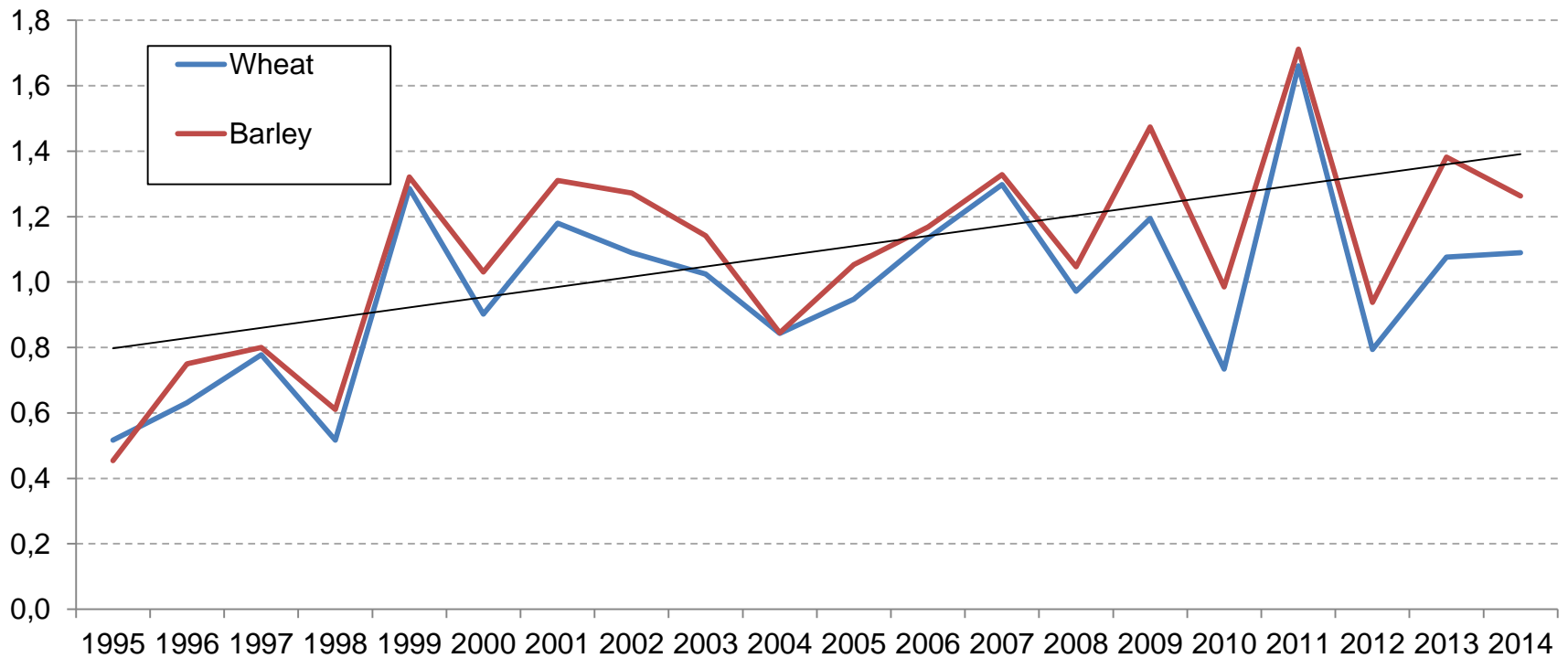
Source: Kazstat, USDA

Kazakhstan: Grain harvested area, mln ha



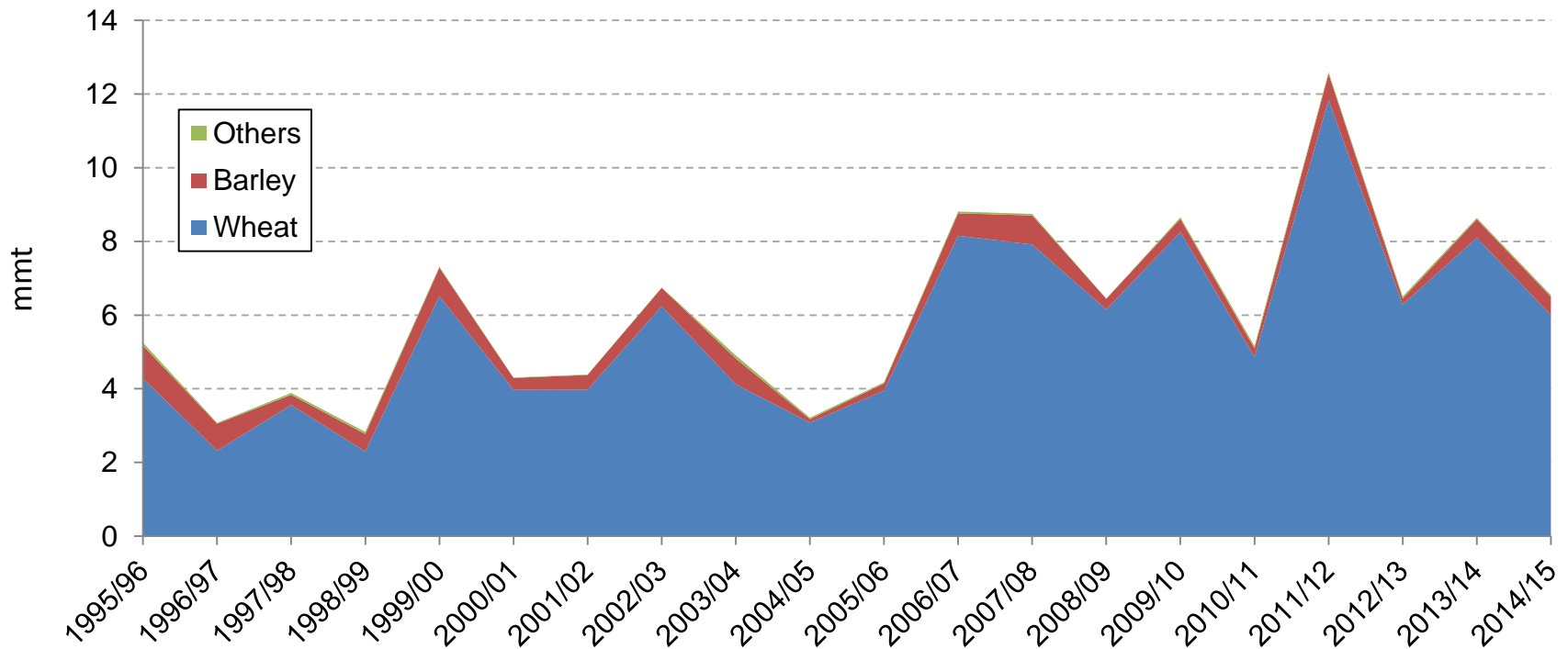
Source: Kazstat, USDA

Kazakhstan: Grain yield, t/ha



Source: Kazstat, USDA

Kazakhstan: Grain export, mln t



Source: Federal Customs Service, SovEcon

US wheat losing some markets while RUKZ are entering them

Wheat exports by key destinations, 1,000 mt			
	RUKZ 2013/14	USA 2013/14	USA 2006/07
Egypt	6203	490	2280
Turkey	3603	15	15
South Africa	1257	97	132
Yemen	1152	369	691
Kenya	963	0	84
Israel	886	157	152
Indonesia	736	1165	831
Bangladesh	611	86	87
Jordan	568	0	74
Tunisia	522	0	20
Morocco	427	0	432
Nigeria	425	2631	2496
Pakistan	326	27	55

Source: Federal Customs Services, International Trade Center

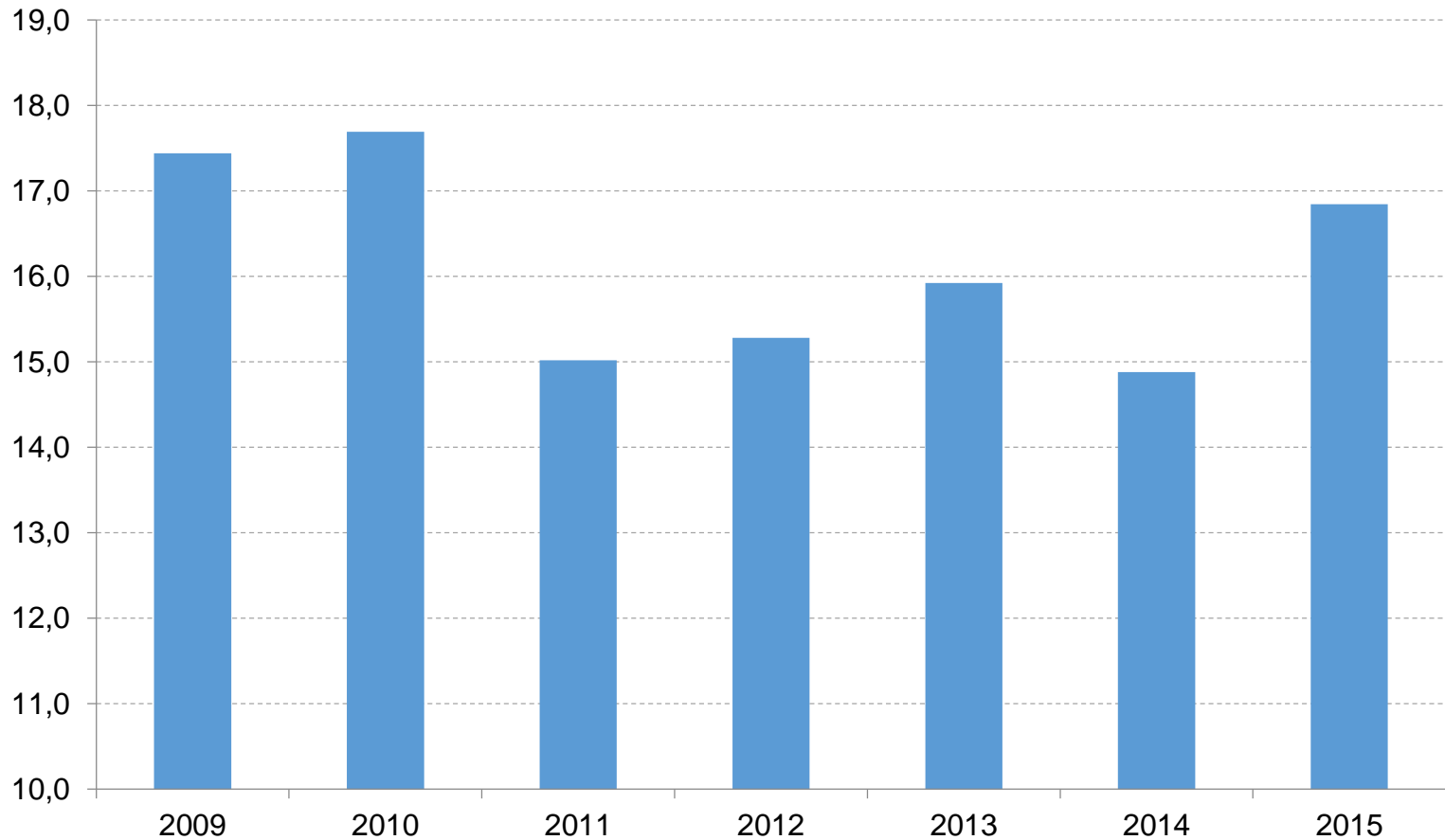
Competition on corn market between US, Ukraine & Russia is just warming up

Corn exports by key destinations, 1,000 mt			
	RUK 2013/14	USA 2013/14	USA 2006/07
Spain	3158	635	9
Republic of Korea	2621	4636	6052
Egypt	2520	2916	3940
Netherlands	2130	195	1
Japan	1273	12542	16255
Portugal	887	284	1
Israel	769	479	1002
China	528	322	119
Libya	493	0	223
Syria	307	0	1256

Source: Federal Customs Services, International Trade Center

2015 prospects

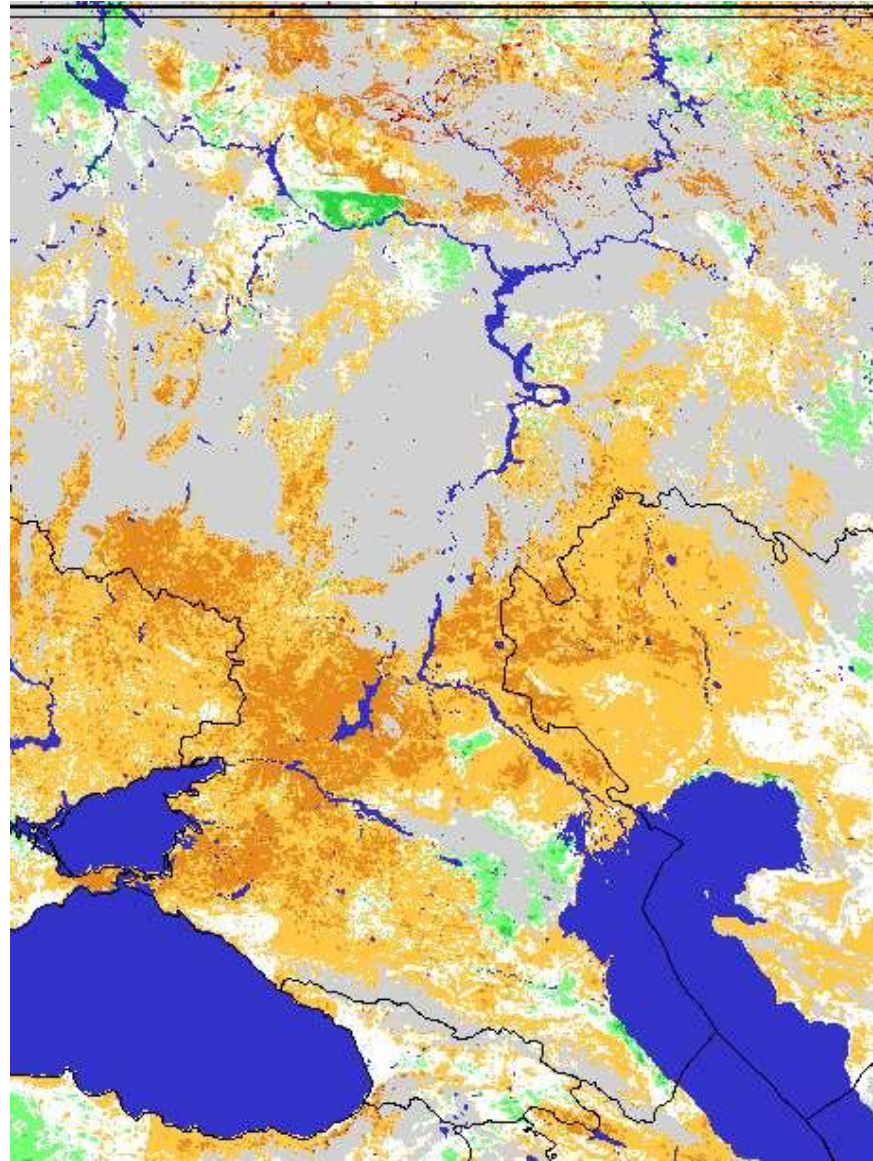
Due to dry weather in Fall 2014 Russia has sown a lot of winter grains...



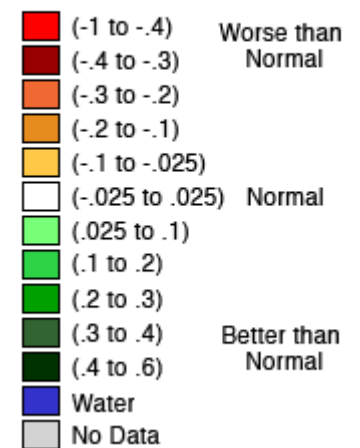
Source: Russia Ministry of Agriculture

5 years average winter wheat share in winter grains acreage is 84%

....but they entered winter in significantly worse condition than average
 (NDVI: 11/01/2014 - 11/16/2014)

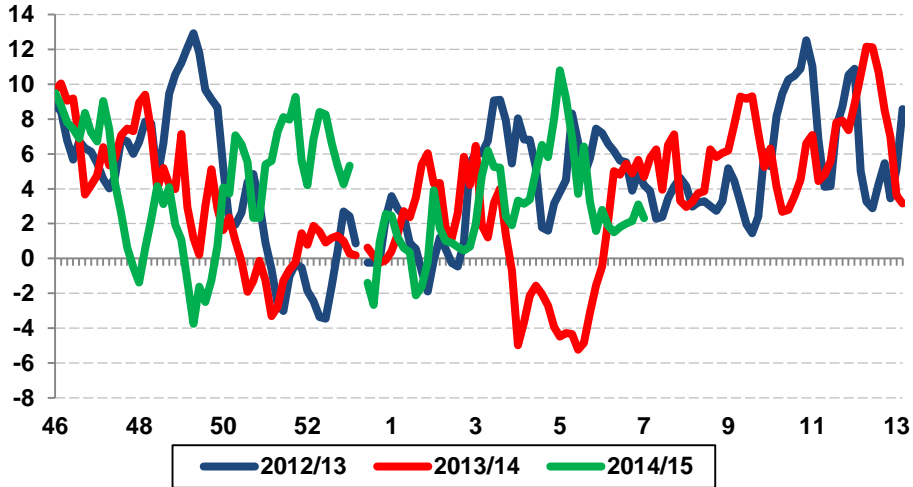


MODIS NDVI
 Departure from 10-year Average

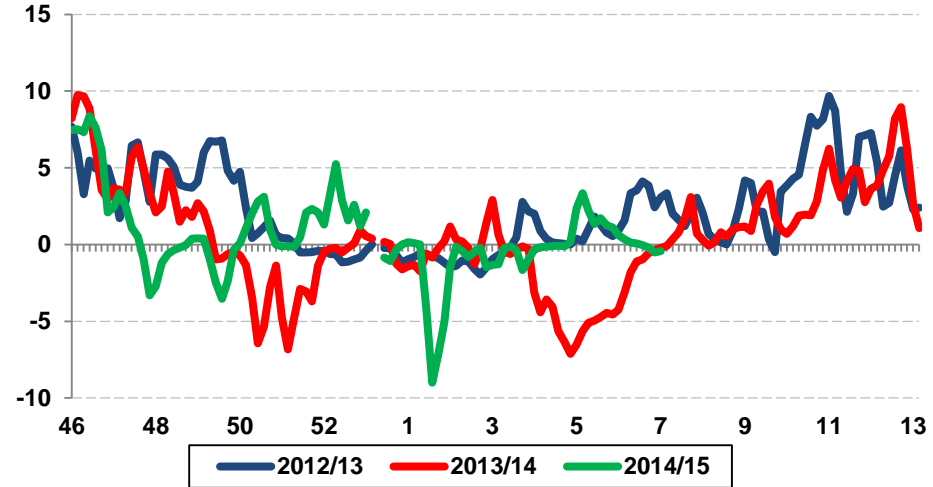


Southern Russia topsoil weekly temperatures (C)

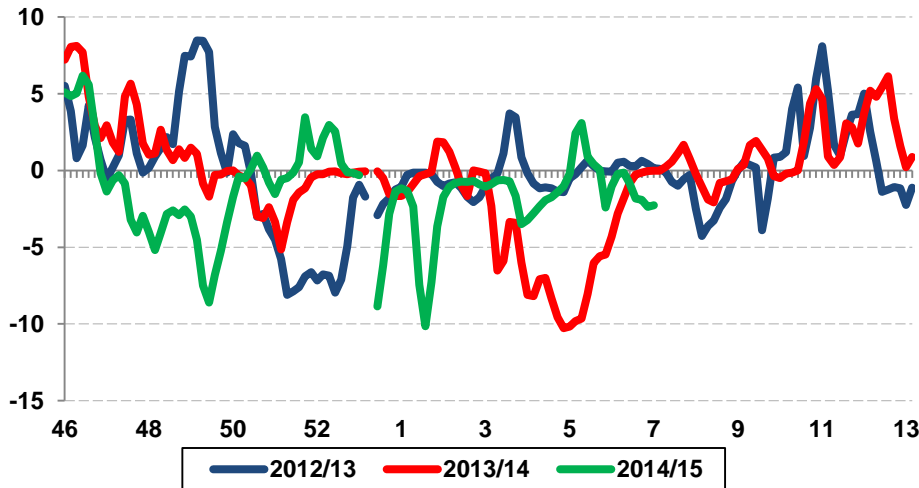
Krasnodar



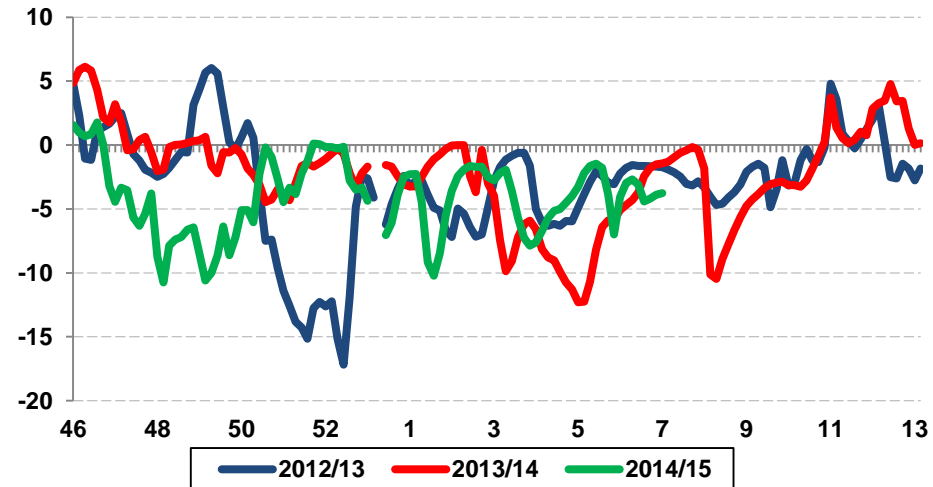
Stavropol



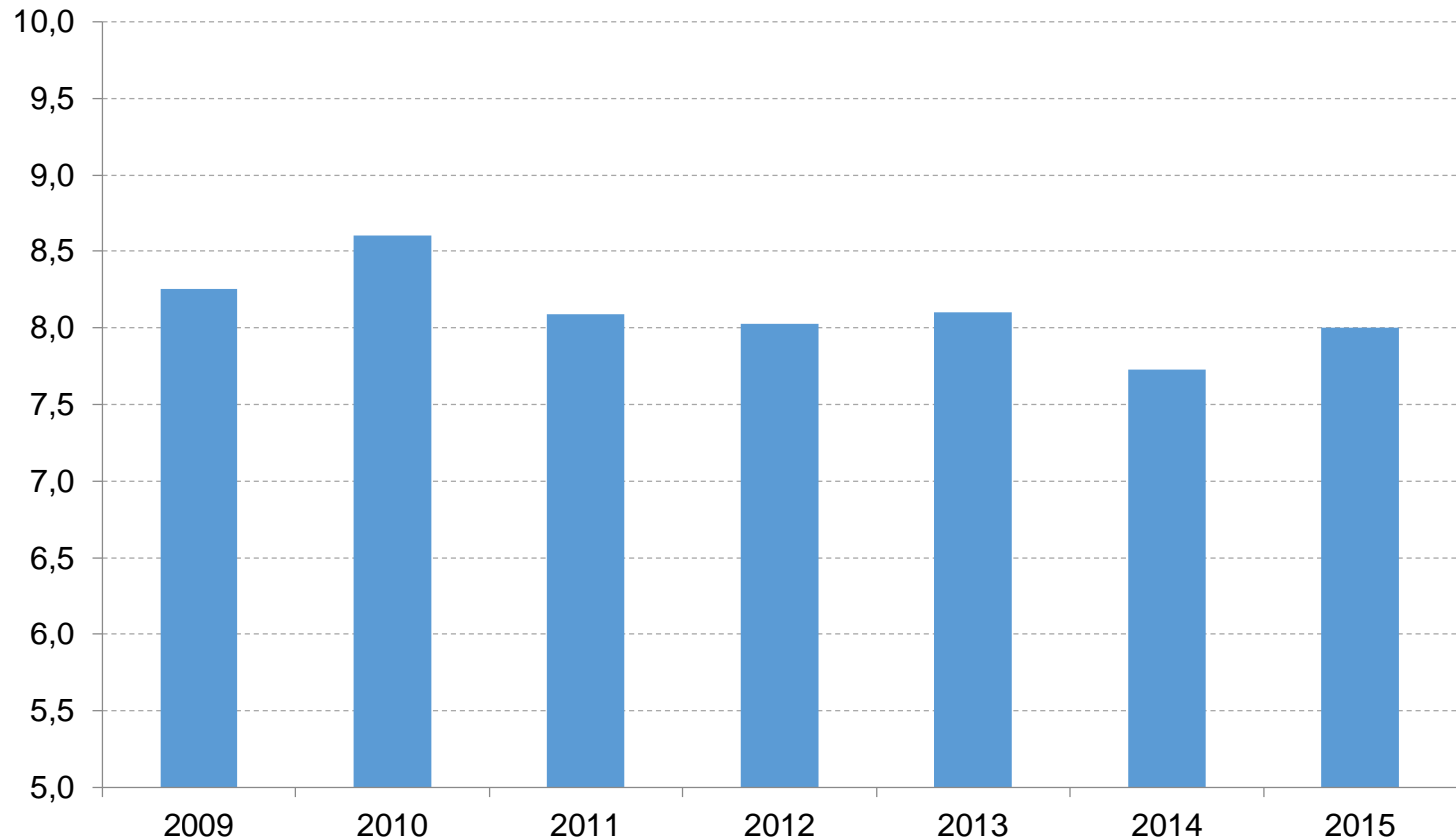
Rostov



Volgograd



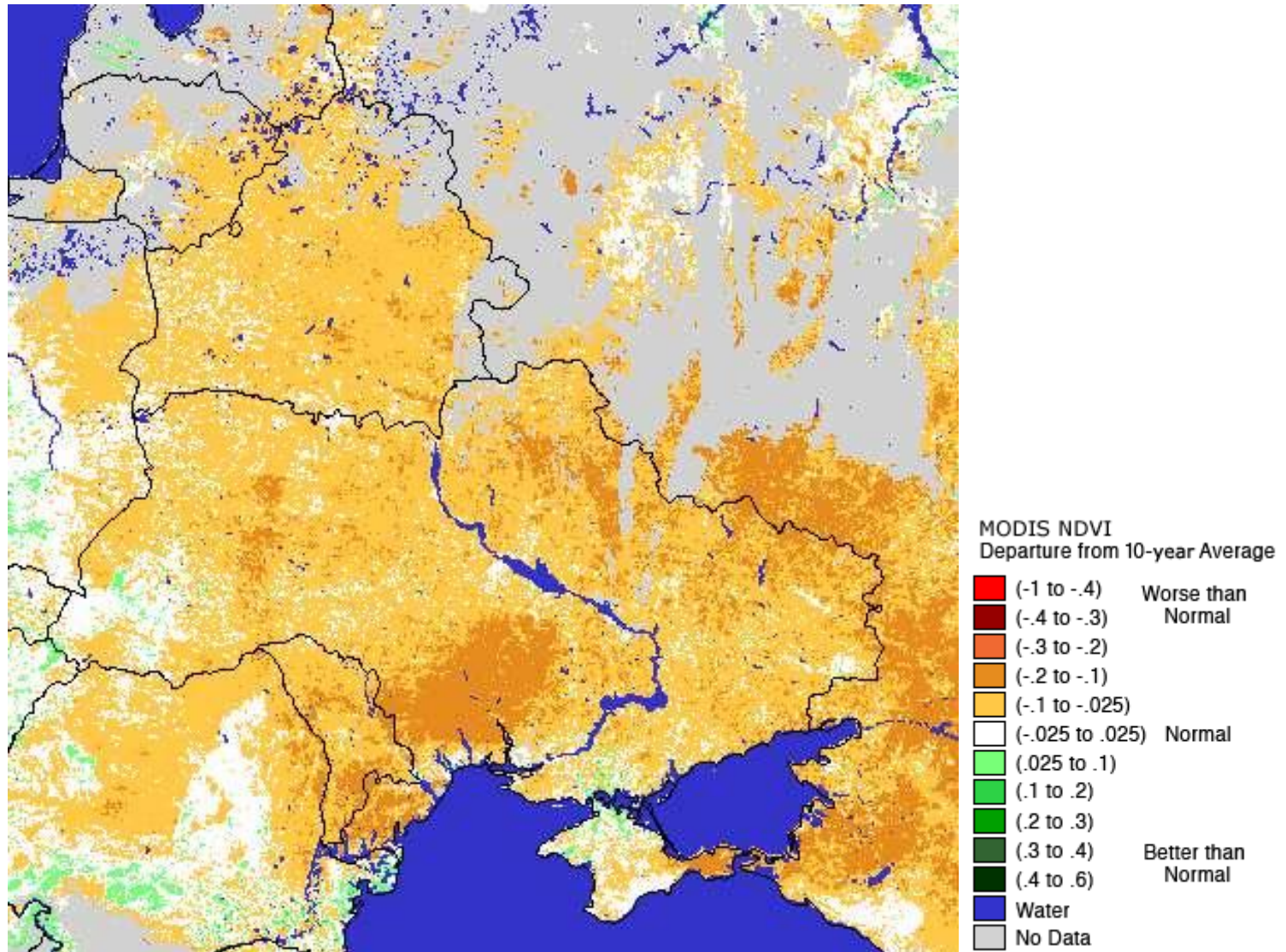
Ukraine: Winter grains acreage



Source: Ukraine Ministry of Agrarian Policy and Food

5 years average winter wheat share in winter grains acreage is 81%

Ukraine: winter grains condition was significantly below average (NDVI: 11/01/2014 - 11/16/2014)

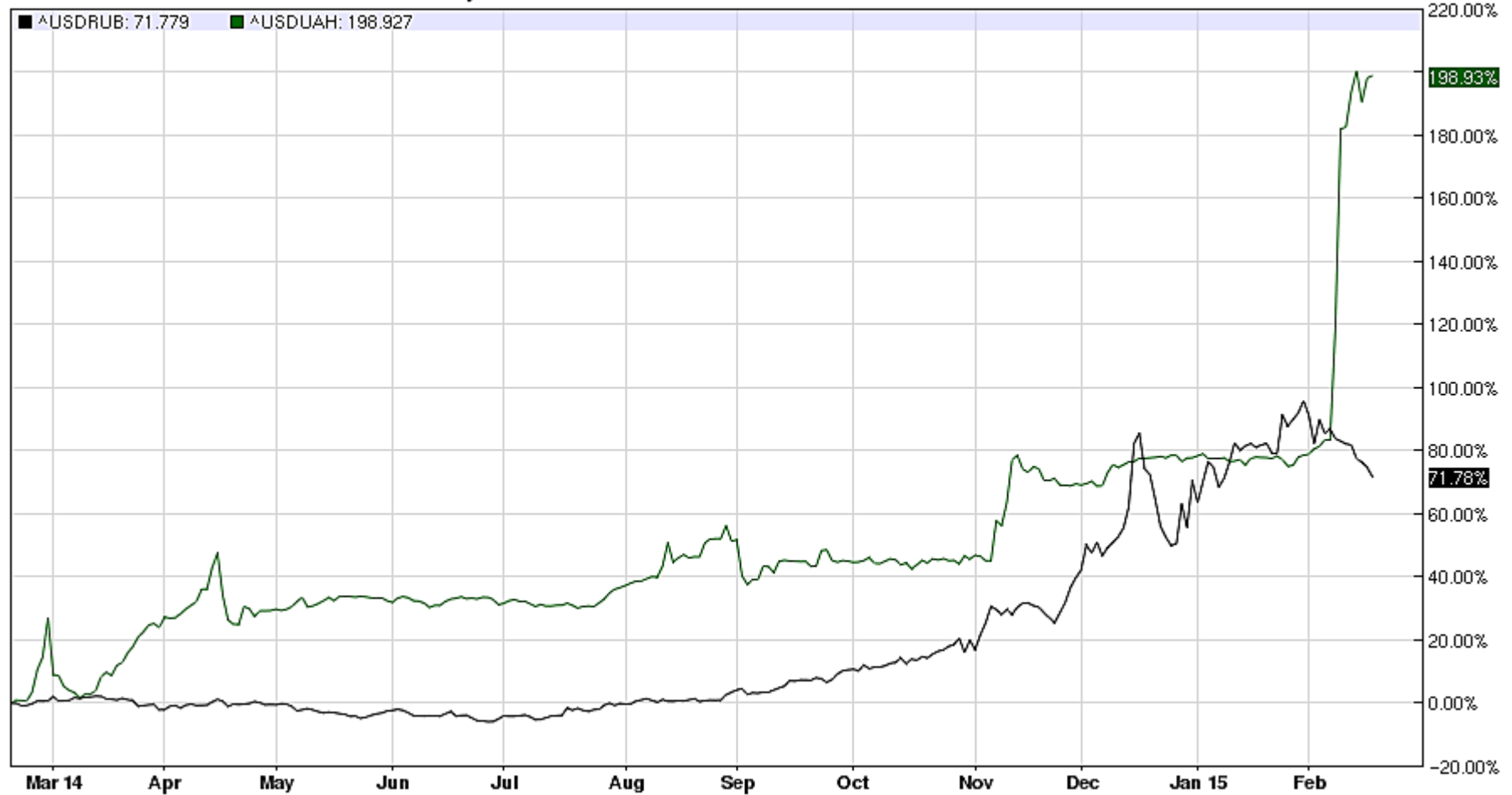


2015 early estimates

- Russia grain production sharply down. Total grain crop 85-92 mmt (104), wheat 47 – 53 mmt (59)
- 2015/16 grain exports 16-20 mmt (29), wheat 13-17 mmt (21)
- Ukraine grain production significantly down (-10 mmt or more from 64 mmt), sharp decrease of corn crop
- Kazakhstan generally unch. 15-18 mmt (17)
- **Bottom line: less wheat exports from the region (30 mmt or below compared to 38 mmt in 14/15), significantly less corn exports (10-13 mmt vs 21 mmt in 14/15)**

Ruble & Hryvna devaluation

^USDRUB - U.S. Dollar/Russian Ruble - Daily Line Chart



Source: Barchart

Longer term prospects

- **Challenges**

- FX rates and cost of ag inputs (2016 crop)
- State regulation
- (Geo)Political stability
- State support

- **Opportunities**

- Land availability (RU: \$120-320/acre of good farm land); 30 mln ha were taken out of cultivation since 1980's;
- Increasing competitiveness, part of costs in \$ terms are significantly down
- Developed export infrastructure, esp. in Ukraine
- Presence in many large & growing markets

Bottom line: 2 challenging years ahead!

Return to longer term growth trend in 2017?

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