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# The Growing Importance of Russia in the Wheat Market

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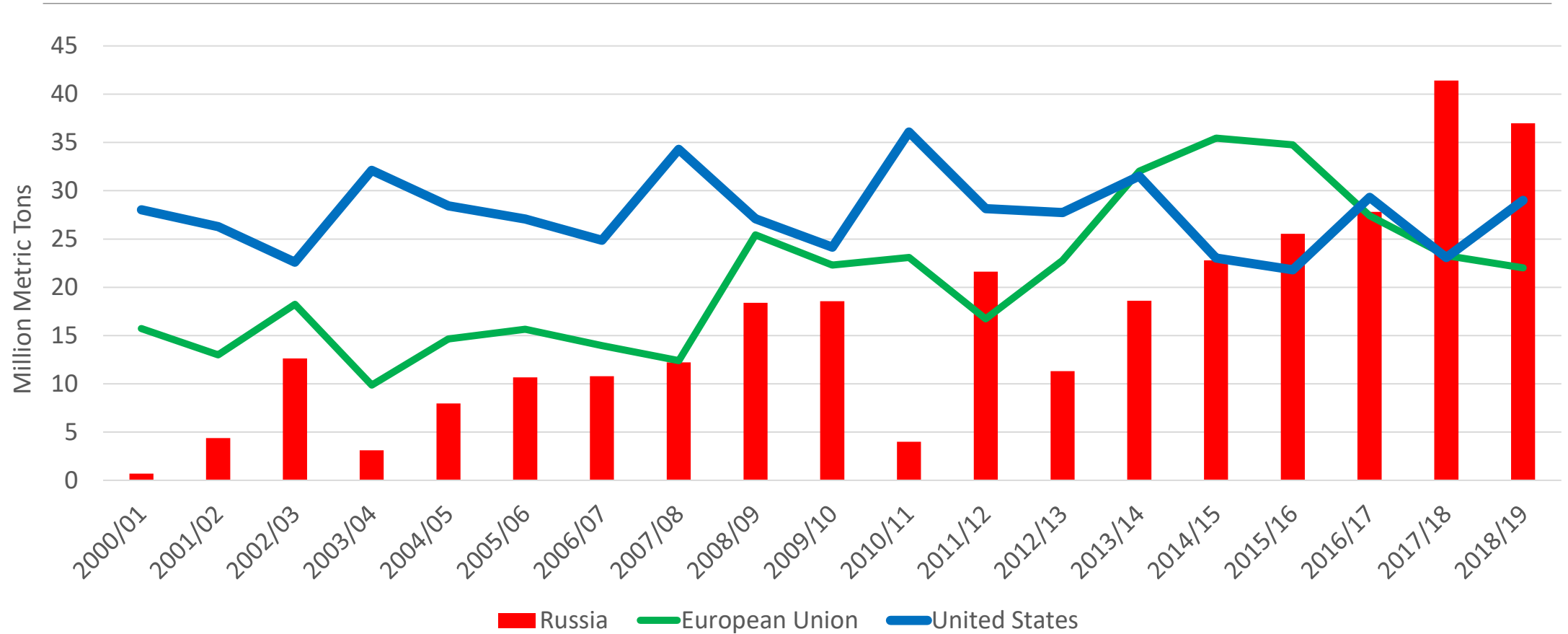
ANDREW SOWELL

SENIOR WHEAT ANALYST

OFFICE OF GLOBAL ANALYSIS, FAS, USDA, WASHINGTON, DC



# Russia Becomes World's Leading Wheat Exporter



# Factors for Russia's Rising Wheat Exports

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## Production surging

- Rising area – gradual shift from small grains to corn and wheat
- Higher yields – improved technology and favorable weather

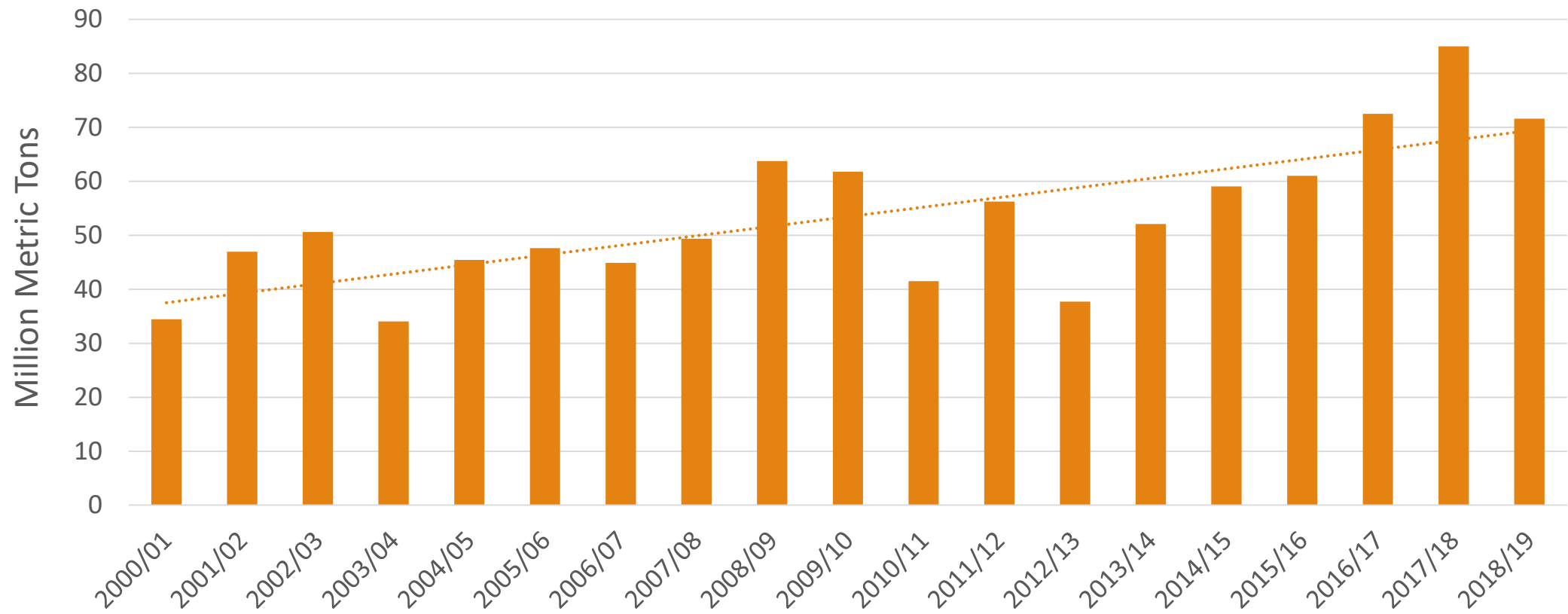
## Improvements in port infrastructure

## Expansion in global trade

## Competitive pricing

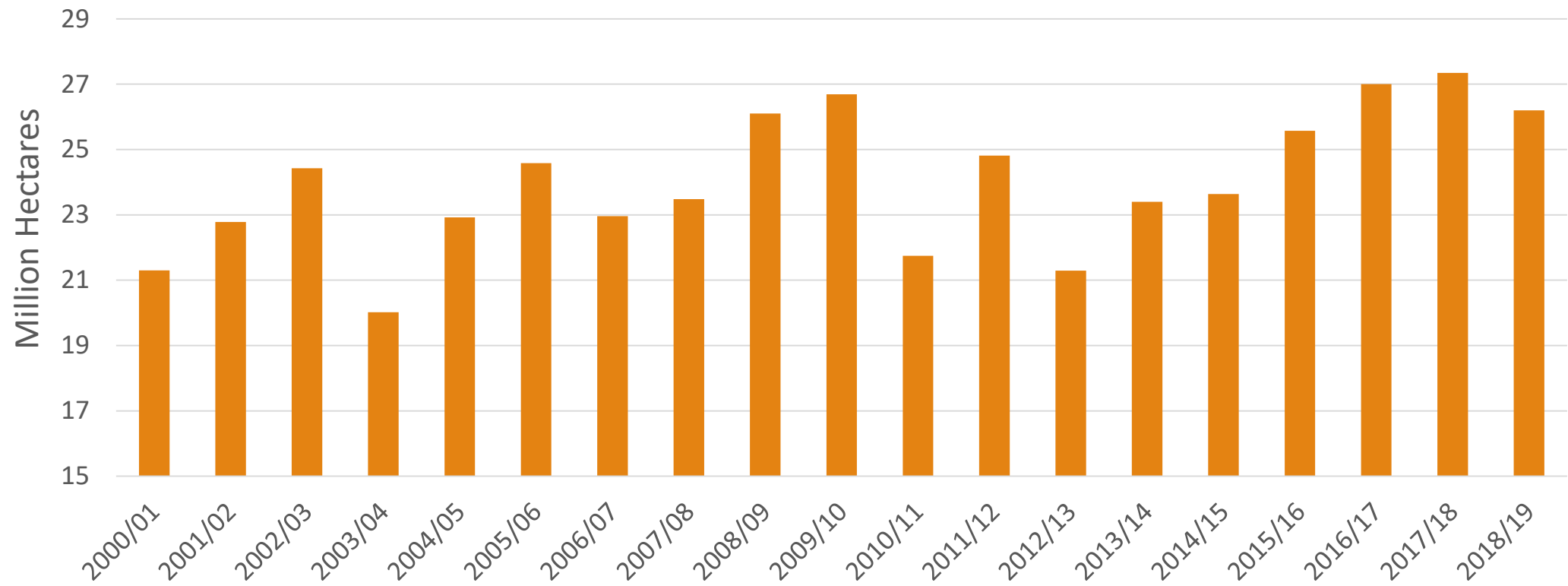
- Major supplier to nearby markets - Middle East and Africa
- Growing market in more distant countries as well - Latin America and Asia

# Russian Wheat Production Nearly Doubled Since 2000/01

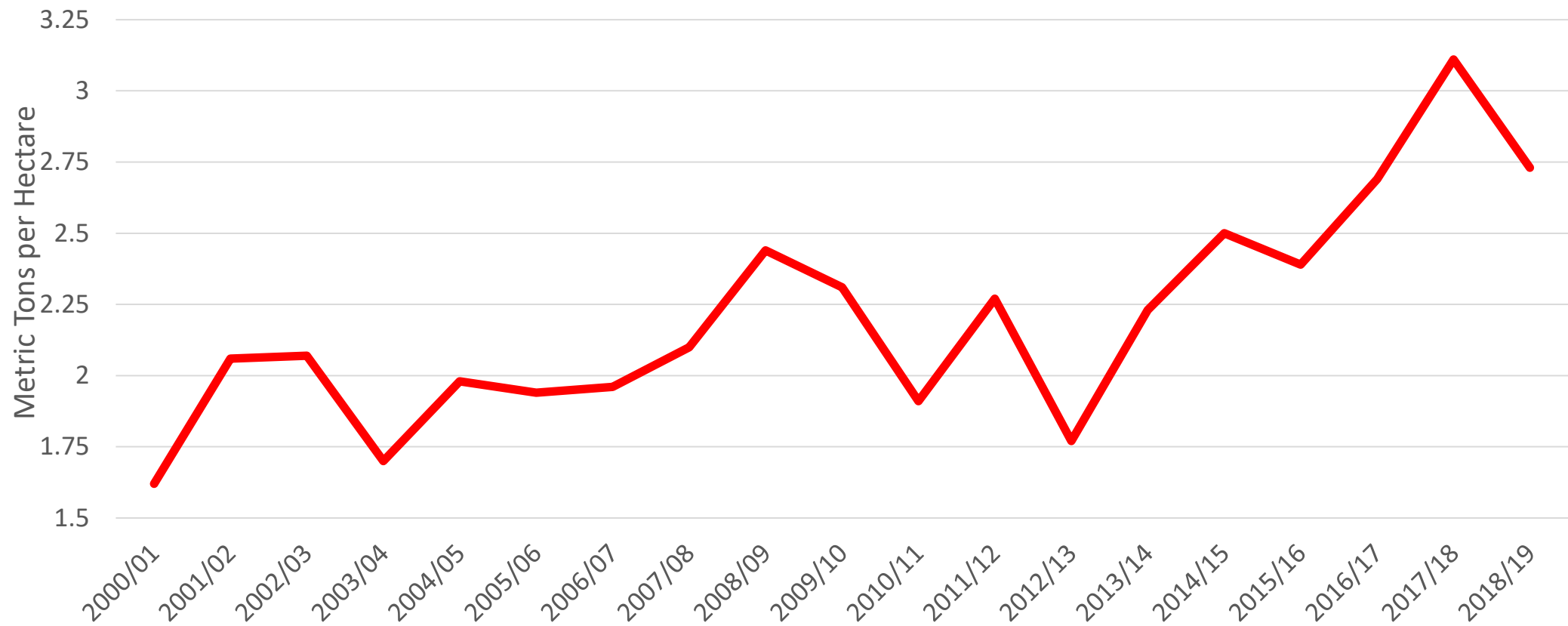


# Wheat Area Harvested Rising

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# Yield Rising Even Faster



# Improvements to Infrastructure

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Huge boost in port capacity in last 15 years as Russia has transitioned to being a major exporter

Improved rail capacity – more cars, trains – quicker turnover

Further investments ongoing to continue building and modernizing ports

- Novorossisk
- Taman
- Plans to develop new grain terminal in Far East

On-farm storage – new storage being built, but quality of current storage is concern



# Continuing Challenges

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## Internal movement of grain

- Elevator throughput not fast enough
- 54 car trains expanded to 71, but elevators not ready for the longer trains

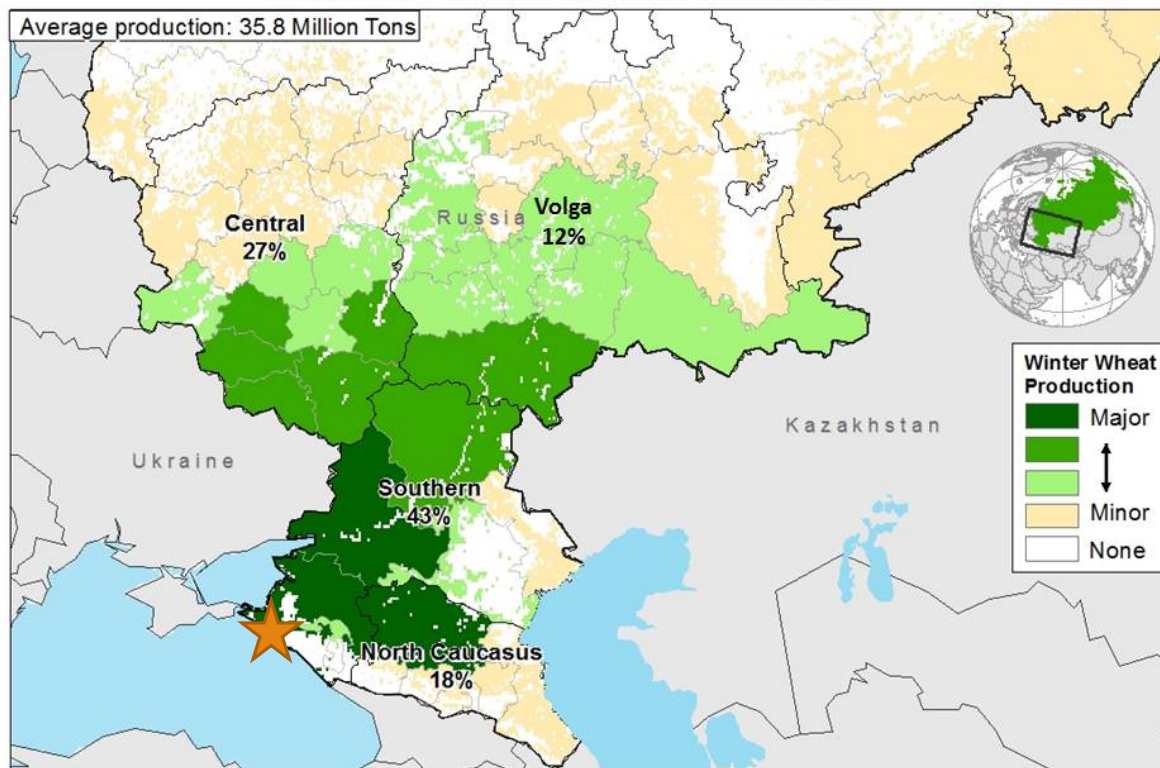
## Storage challenges

- Shortage
- Newly constructed storage is small relative to that which is outdated or insufficient

## Ports: insufficient port depth

# Further Challenge: Distance to Port

**RUSSIA: Winter Wheat Production**



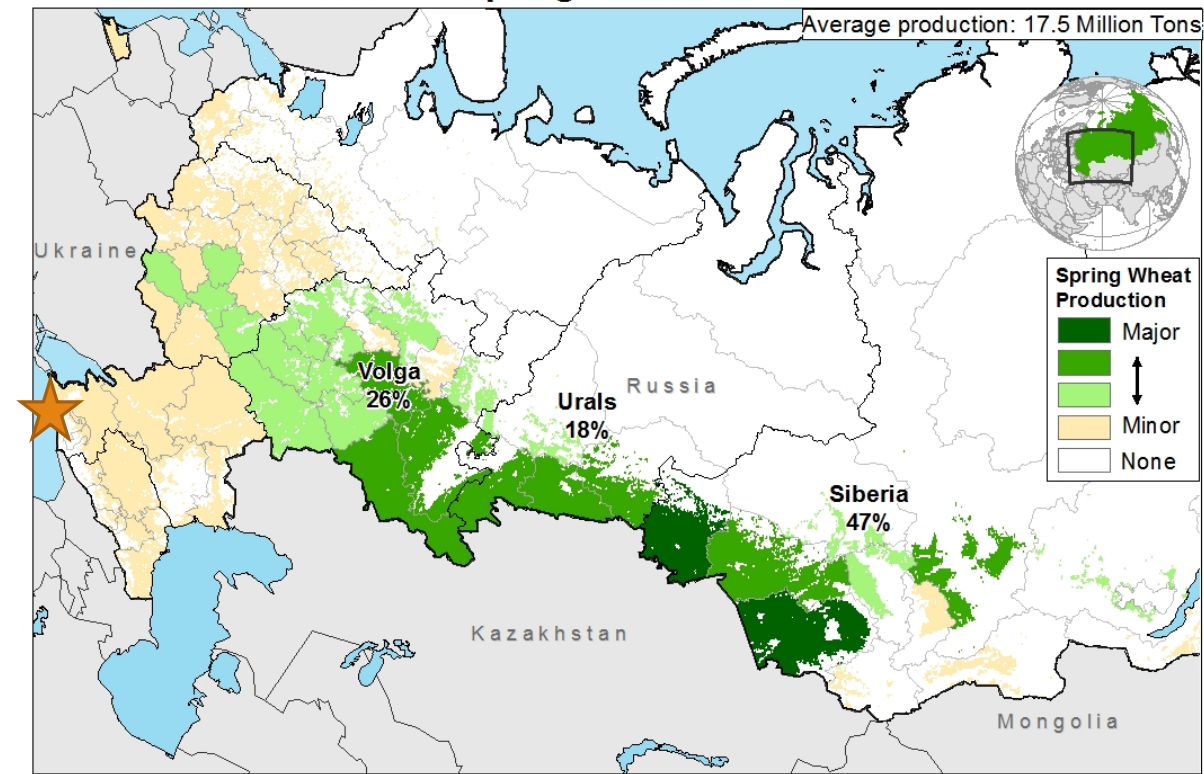
Data Source: Rosstat, Average Crop Production 2011-2015; IIASA and FAO (2008)

0 115 230 460 Kilometers

Foreign Agriculture Service  
Office of Global Analysis  
IPA Division



**RUSSIA: Spring Wheat Production**



Data Source: Rosstat, Average Crop Production 2011-2015; IIASA and FAO (2008)

0 205 410 820 Kilometers

Foreign Agriculture Service  
Office of Global Analysis  
IPA Division



# Russia Becoming More Consistent Supplier

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## History of restricting exports

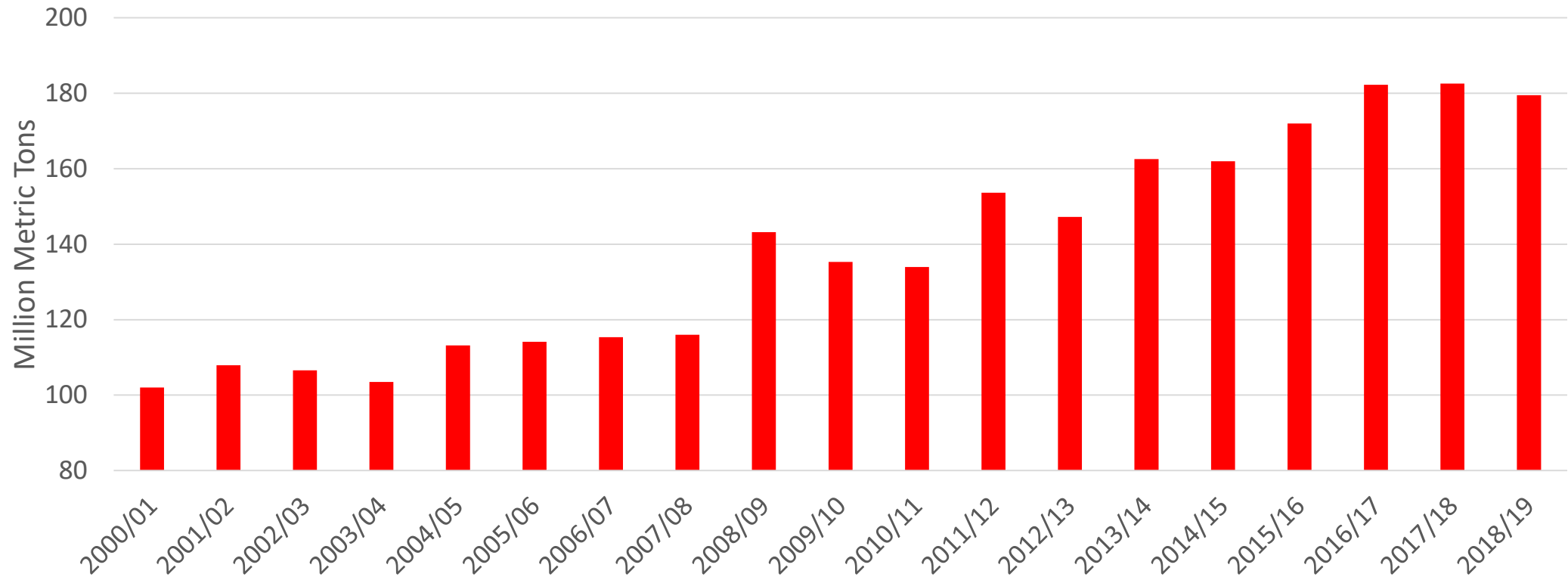
- 2010/11: Russian wheat export ban in effect from August 2010 through June 2011
- 2014/15: Export duty in place February-May 2015 – strengthened phytosanitary controls and slower rail service also reported

Minimal disruptions recently (actually subsidized rail to move wheat faster)

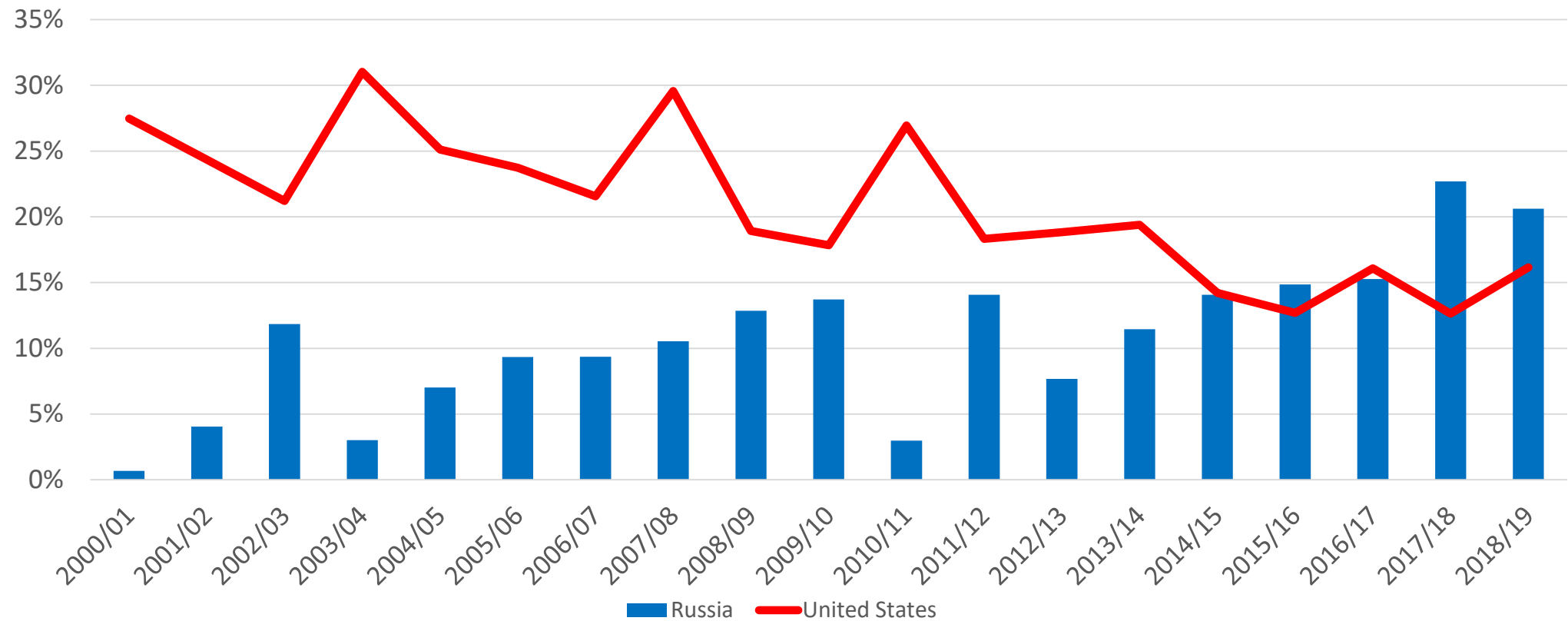
## 2018/19

- Large crop, but rapid pace of exports prompted rumors of impending export ban
- Some tightening of phytosanitary controls as Russia responds to complaints from foreign buyers – not an outright export restriction

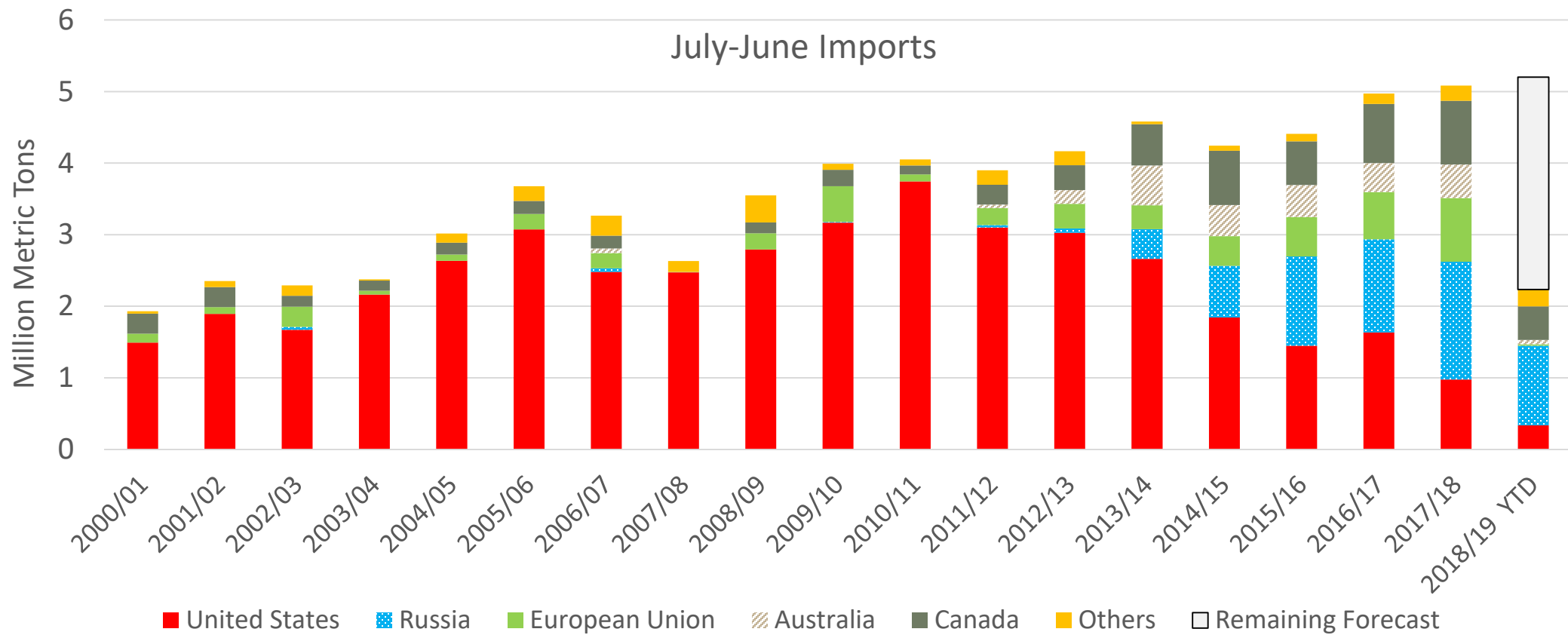
# Global Wheat Trade Booming



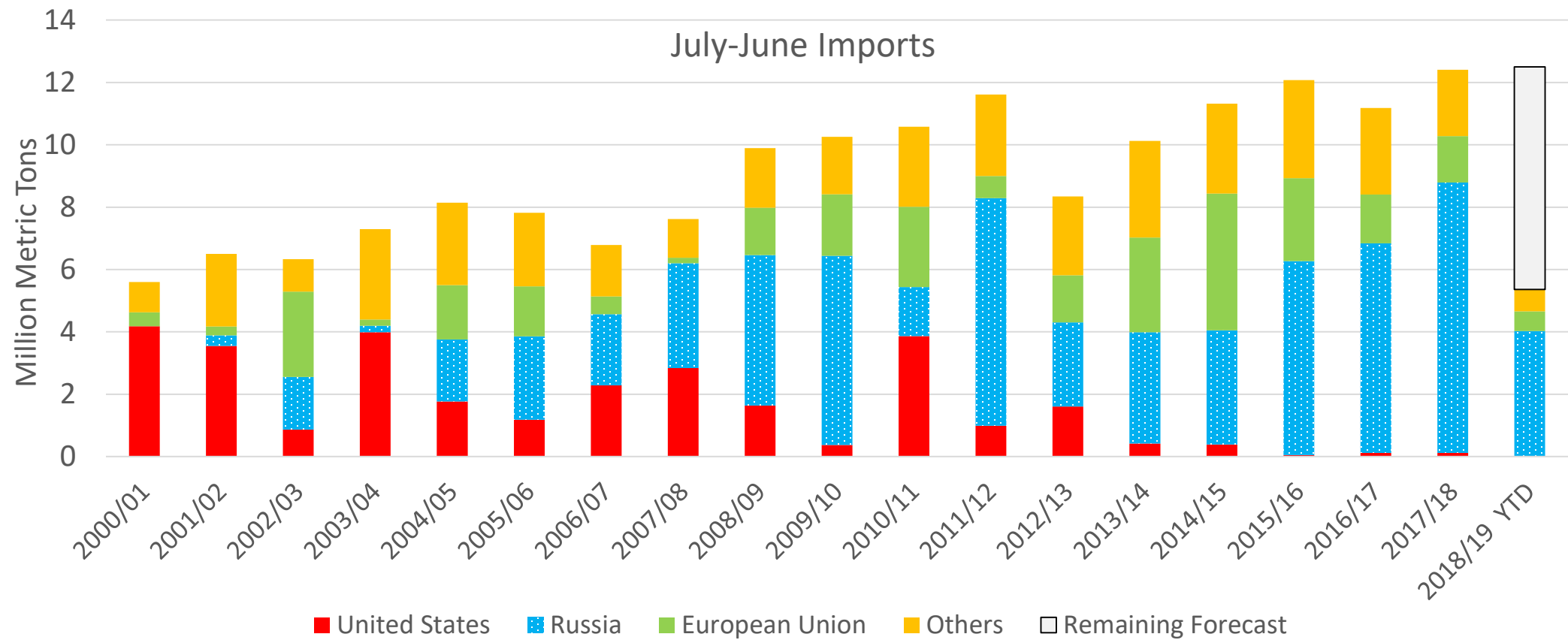
# Russia's Market Share Surging; U.S. Share Falling



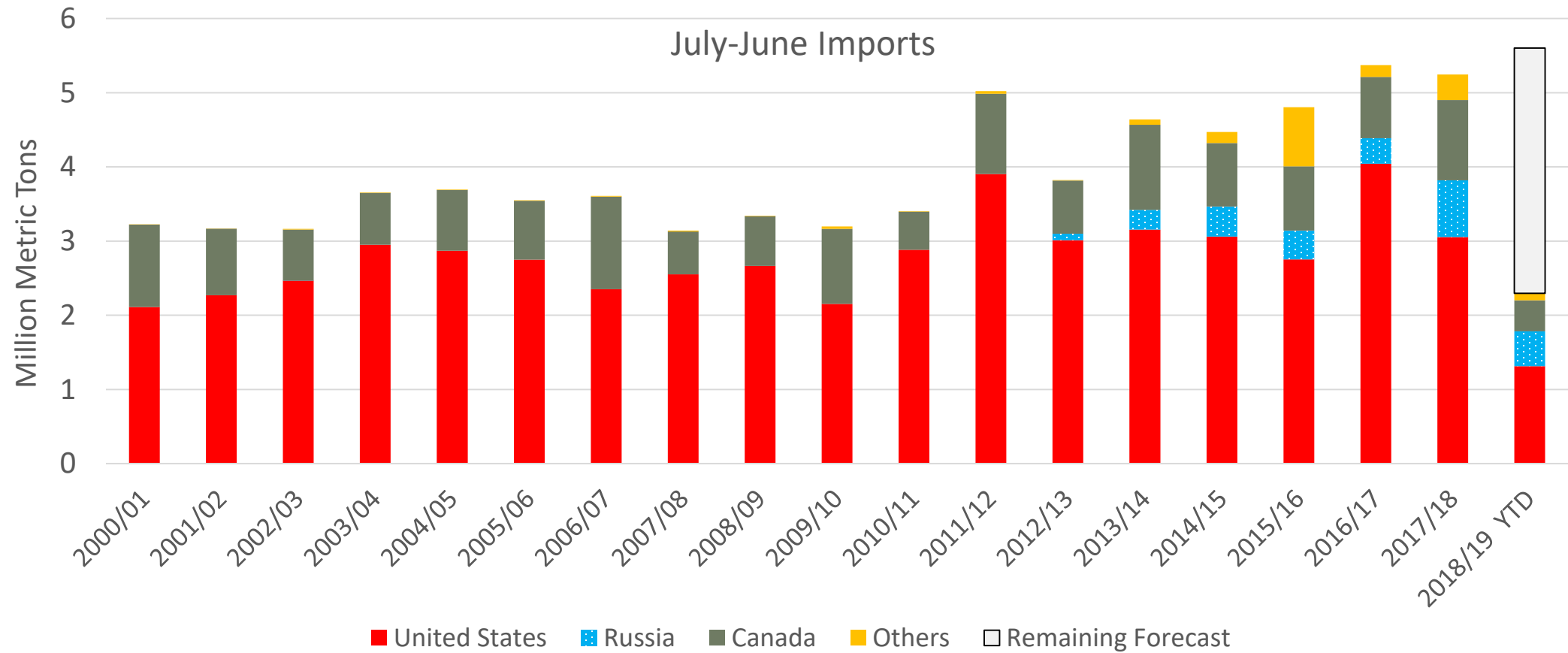
# Impacts on U.S. Trade: Nigeria



# Impacts on U.S. Trade: Egypt

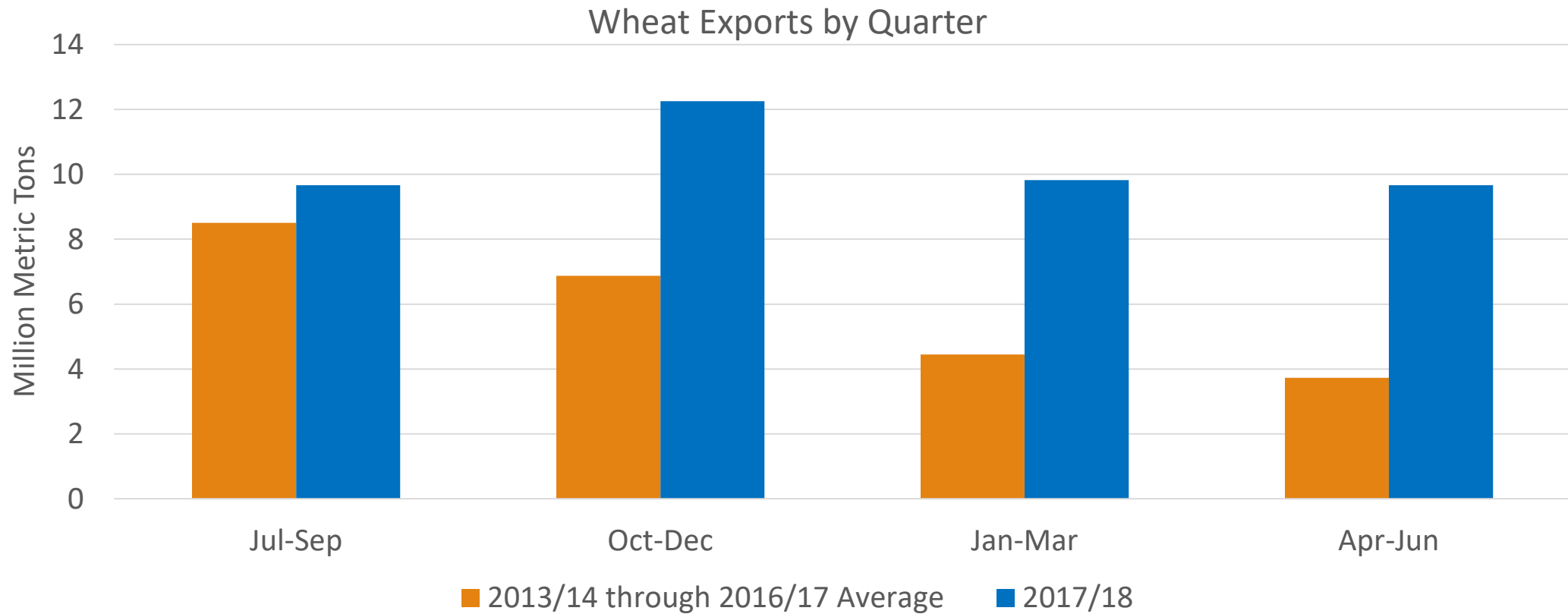


# Impacts on U.S. Trade: Mexico

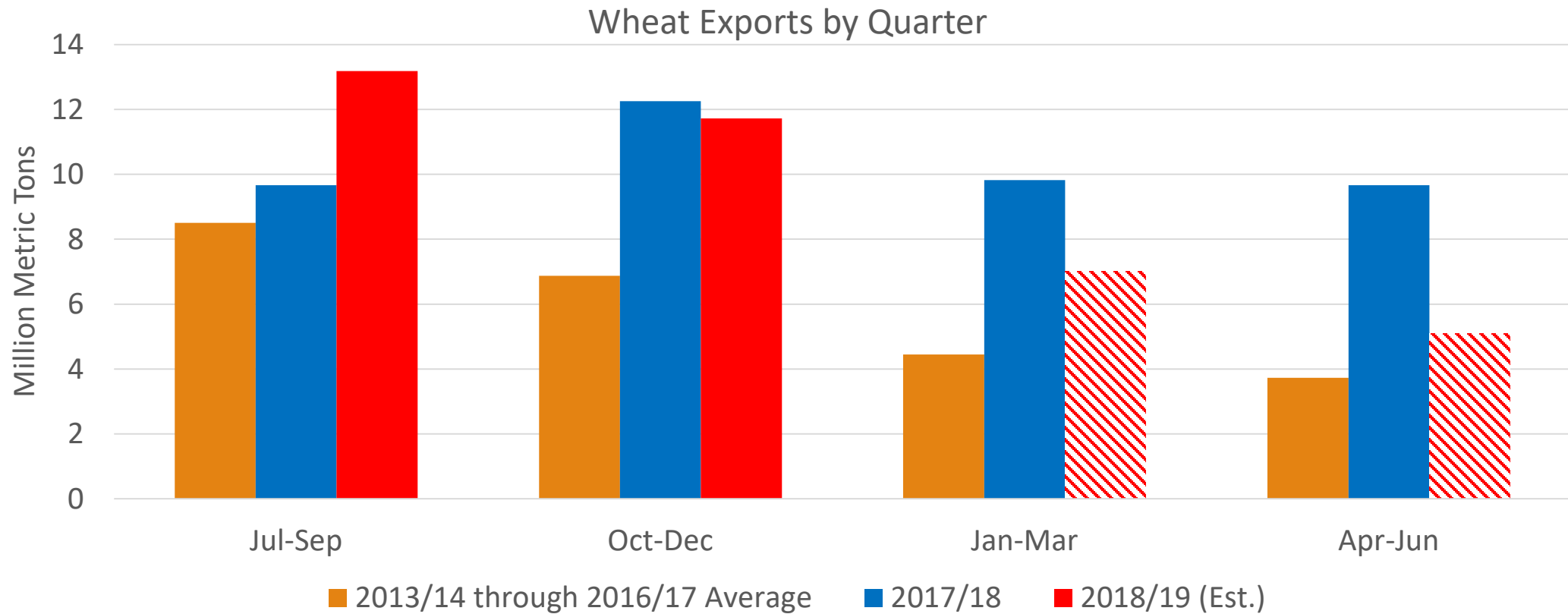




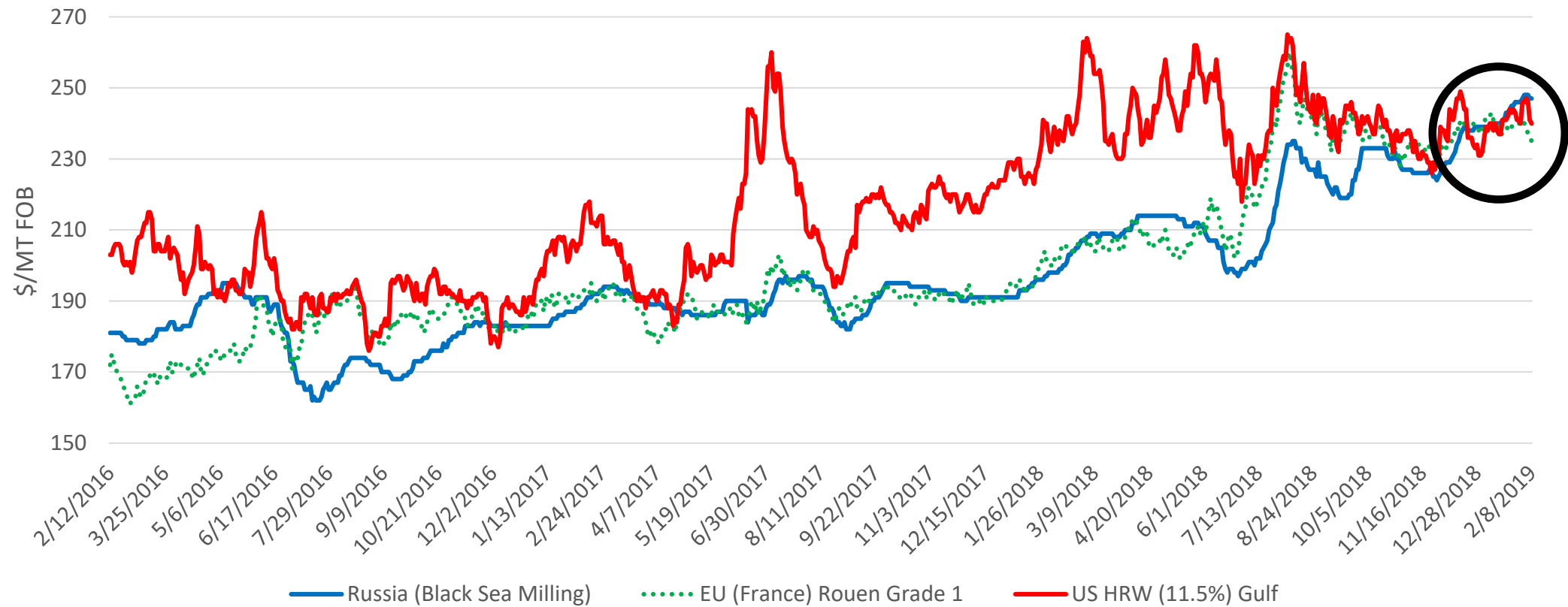
# 2017/18: Record Exports Supported by Strong Exports in Second Half of Year



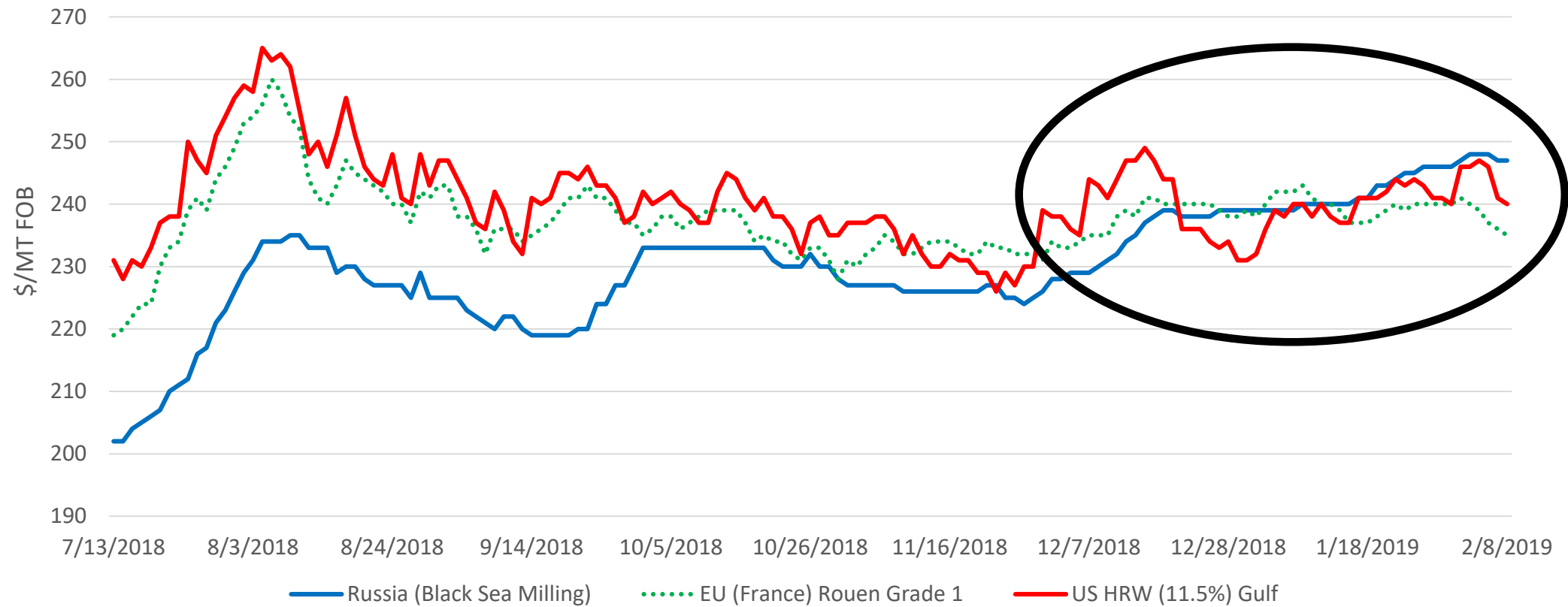
# 2018/19: Exports Off to Rapid Start; Second Half Expected to Slow



# Russia's Wheat Prices Starting to Become Less Competitive



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# Initial Expectations of 2019/20

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United States: NASS recently announced U.S. winter wheat area as the lowest in over 100 years

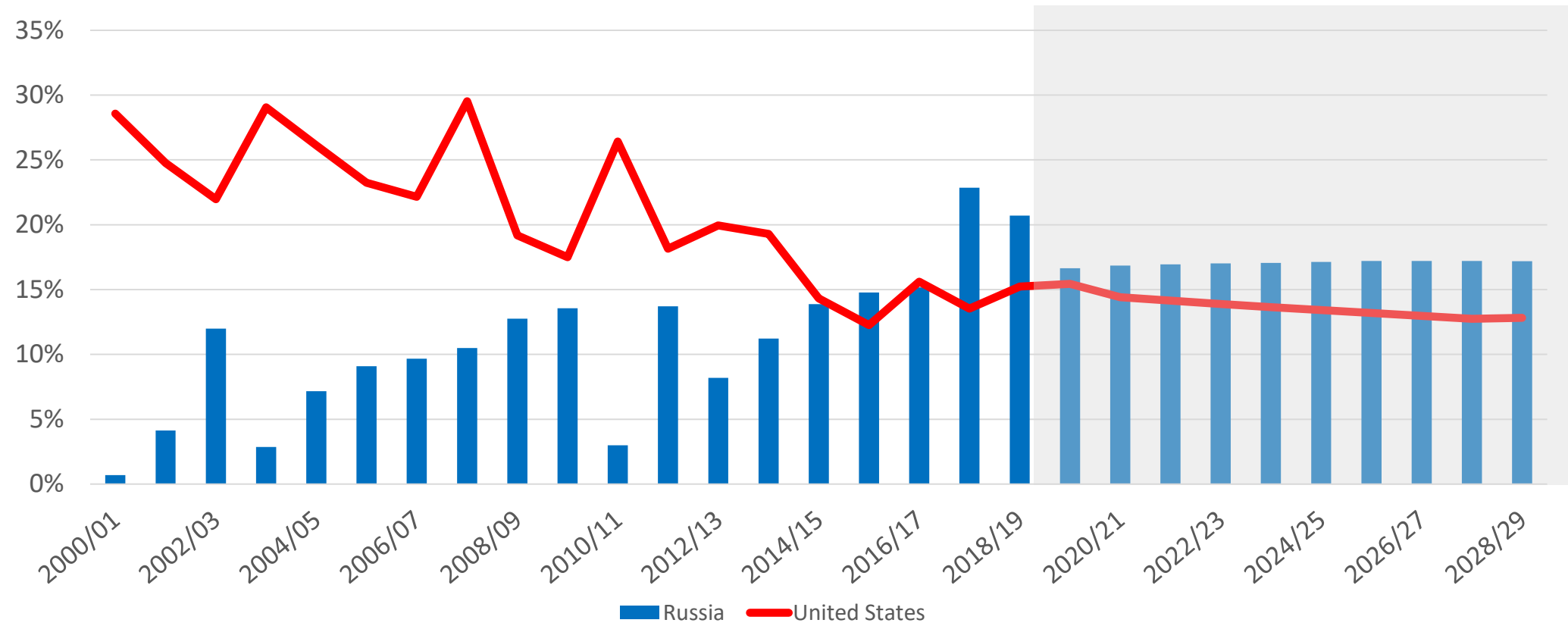
Russia: expecting another large crop – winter grains area up

The current competitiveness of U.S. wheat is unlikely to hold into the next marketing year (unless weather intervenes)

More to come on this topic at the Grain and Feed Outlook session:  
9:15am tomorrow

USDA global PSD data will be published in May

# Long-term Projections: U.S. Share of Global Trade Trending Lower; Russia Steady



# Thank you for your time

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