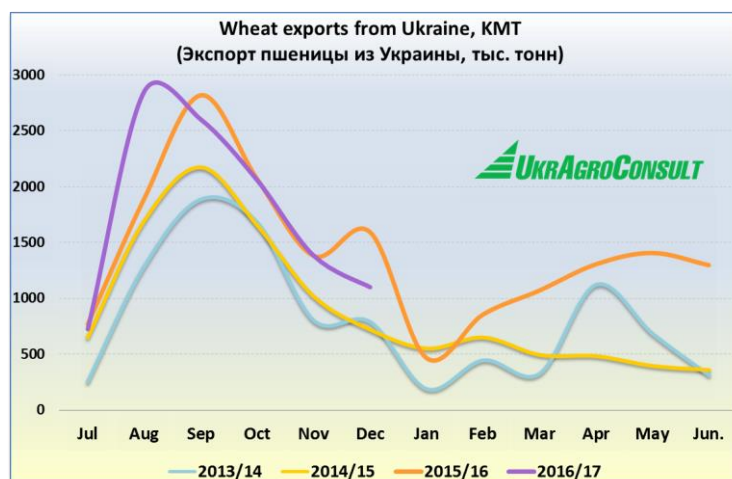


India became the top importer of Ukrainian wheat

The current season 2016/17 started in Ukraine with a record fast pace of grain exports, including wheat deliveries. At the same time, we estimate that Ukrainian wheat export availabilities will shrink by 7-8% in 2016/17 from the previous season in view of some crop decrease.

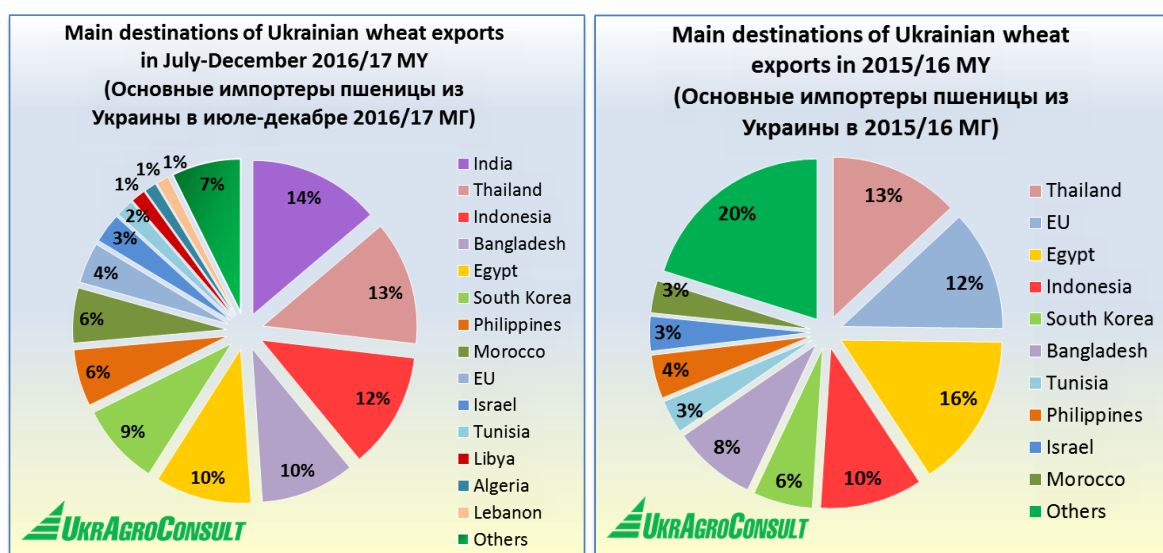
According to official statistics, wheat exports from Ukraine increased 7.7% to 9.62 MMT in the first five months of the current season against 8.93 MMT in July-November 2015/16.

Ukrainian wheat exports went down in December. According to our estimates, Ukrainian exporters supplied roughly 10.6-10.8 MMT of wheat to foreign markets in H1 2016/17, or a bit more than at the same time last year (10.5 MMT). Nevertheless, wheat export potential of MY 2016/17 was almost 70% realized in the first half-year, whereas this percentage equaled 62% a year ago.



The main feature of the past year 2016 was strengthening of Ukrainian wheat's positions in the Indian market.

In the first half of the season, India made it to becoming the top importer of wheat from Ukraine, having sidelined major global buyers such as Egypt, Indonesia, Bangladesh and Thailand. So, according to our estimates, India imported about 1.5 MMT of wheat from Ukraine in the period under review and thereby got a 14% share in Ukraine's wheat exports in MY 2016/17. This is the largest volume of Ukrainian wheat shipped to India in the entire history of Ukraine.



As a reminder, last time India imported wheat from Ukraine back 10 years ago. India's need for imports of this cereal commodity was at a record high 6.7 MMT then. And Ukraine supplied a bit more than 300 KMT of wheat to the Indian market in MY 2006/07. Traditionally, wheat imports by India, if any, are made mostly from France and Australia. In view of this season's wheat crop decrease in France, which is aggravated by quality issues, Ukrainian exporters got a good chance to take its place in that market and have already used this chance to a greater degree than expected early in the season.

In addition, Ukrainian wheat is not only actively supplied to the Indian market at the expense of France, but it has also driven out its key rival, i.e. the Australian product.

Also, concerns were heard in the first months of the season about competition from other Black Sea countries in this market, particularly from Russia. The point is that far back in season 2006/07, when India's wheat imports hit the ceiling, Russia was among key suppliers and shipped more than 1.95 MMT there at the time, i.e. 30% of India's needs for imported wheat. For now, we have only seen just a trial wheat parcel of 3 KMT leaving Russia for India.

It is also worth noting that another key reason for the rise in purchases by India was a reduction of wheat import duty from 25% to 10% in the fall of 2016 and to 0% in December 2016 because of the country's increasing needs for imported wheat. After the duty had been nullified, India contracted another some 0.5 MMT of wheat from Ukraine. Thus, India has already bought about 2 MMT of Ukrainian wheat alone. So, its need for imported wheat will surely exceed 3 MMT this season. And, in all appearances, the estimate of Indian market participants for the current season's foreign wheat purchases at 5-6 MMT is quite realistic.

In conclusion of this article it is worth adding that India's demand not only provided a new outlet market for Ukrainian grain but also pushed up 2016/17 prices for Ukrainian milling wheat. In turn, the latter supported wheat all across the Black Sea basin.



The prospects for Ukrainian wheat in India's market in the latter half of this season are discussed in our article "Weak tone of the bulk market may add to grain market competition in the latter half of 2016/17."

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