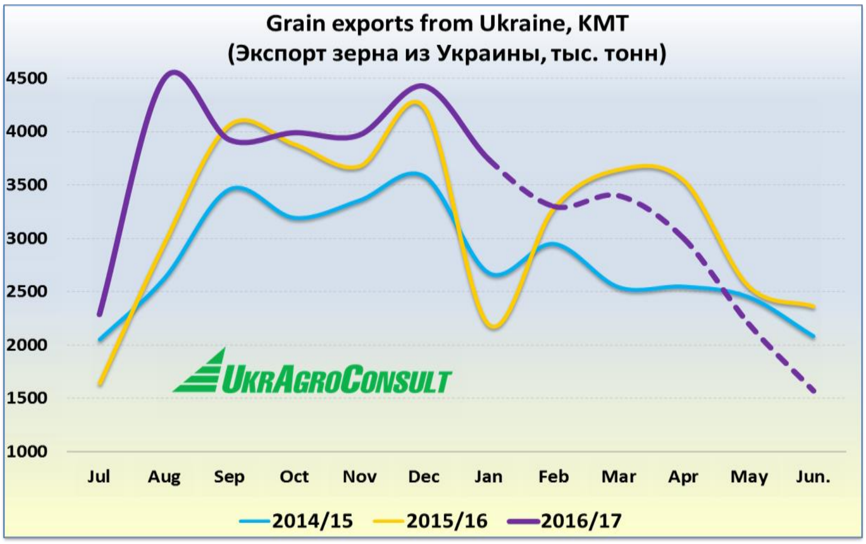
Ukraine managed to open new markets in view of shrinking deliveries to the EU

Although a few months are still left until the end of the current season, Ukraine has already realized three-fourths of its grain export potential of MY 2016/17.

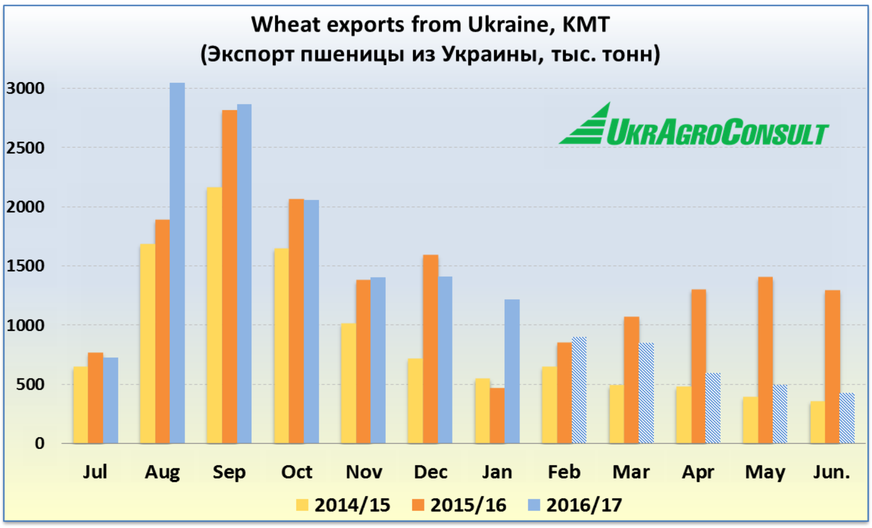
So, according to preliminary information from market participants, Ukrainian traders exported roughly 30 MMT of grain in the first eight months of the season (July-February). In other words, export shipments of cereals and pulses from the country by the beginning of March were up 16% (+ 4.2 MMT) year-on-year (25.9 MMT in July-February 2015/16). And this despite the fact that the estimated export potential is only 2.3 MMT (6%) higher than last year.

Thus, a noticeable slowdown in Ukrainian grain exports should be expected in the last quarter of the current season.



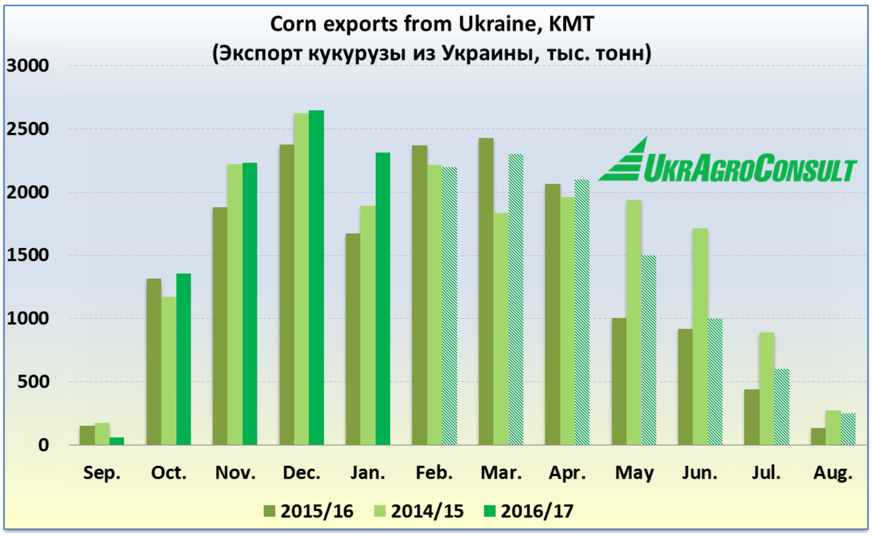
Breaking down grain exports by staple cereal, it can be seen that the smallest amount still left to be exported is that of barley: roughly 10% of its total export potential.

With regard to wheat, despite a drop in its export availabilities (down 5-6% from last year), wheat shipments to foreign markets are 15% ahead of last year's. Consequently, a sharper decrease should be expected in its export deliveries as soon as April 2017.



The main role in the Ukrainian grain market belongs to corn. We forecast Ukraine's corn exports to be up 11% from MY 2015/16 (18.5 MMT against 16.6 MMT), but somewhat lower than in the similar season of 2014/15 (18.9 MMT).

In the given case it is expectable that this season's corn exports are faster than a year ago, but they also outpace exports of MY 2014/15. In the latter half of 2016/17, corn shipments from Ukraine will most likely correlate with the last season rather than with MY 2014/15.



The current season also features further diversification of markets for Ukrainian grain exports and search for new destinations. Judging by the results of the past eight months of this season, the European Union remains the top export destination for Ukrainian grain, though with a shrunk export share. Roughly 5.4 MMT of grains were exported to the EU in the period under review. This is 18% of all the grain exports from Ukraine.

The second position in the ranking is shared by India and Egypt. Ukrainian exporters supplied more than 3.1 MMT of grain to Egypt (10.3%). India absorbed some 3 MMT (10%) of grain, mostly wheat. Based on the results for the entire season, Egypt will gain the second position in the ranking.

Saudi Arabia remains a top 5 export market for Ukrainian grain with its share exceeding 6.5% (roughly 2 MMT).

The top 5 of importers is closed by Iran, which was last time listed among key destination markets as far back as five years ago. Due to rapid growth of the Iranian livestock sector, the need for imported corn has almost doubled over the last five years (to 7.5 MMT this season, according to the USDA). Thus, Ukrainian corn deliveries to this market already reached 1.8 MMT (6%) in the period under review. Most likely, Iran will replace Saudi Arabia in the 2016/17 ranking of buyers of Ukrainian grain.

1.5 MMT (5%) was shipped to Thailand, while Indonesia, Bangladesh and Korea received 1.3 MMT (4.3%) each. A bit more than 1 MMT of grain went to Tunisia (3.3%).

So, Ukraine's bumper grain crop harvested in 2016 allowed Ukrainian grain to both retain its traditional export markets and successfully enter new ones and solidify there. As a whole, the geographical range of grain export destinations has not changed, but some substitutions happened among top importers. In particular, a sharp decrease in corn deliveries to China and the EU was offset by shipments to Iran, Korea and South Africa. A similar drop in wheat shipments to the EU and Thailand was counter-balanced by boosted exports to India, Indonesia, Bangladesh etc.

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