

Ukraine squeezing out competitors in the Asian wheat market

According to USDA estimates, global wheat exports will increase 4.34 MMT in 2016/17 season, to a volume of 176.83 MMT. Taking into account that the current pace of world wheat exports is indeed faster than last year and wheat price is at a multi-year low, this forecast is quite realistic. The IGC reports that overall exports from major wheat supplier countries totaled 54.33 MMT in the first four months of 2016/17 season (July-October) that is up 4.45 MMT from last season. At the same time, the key sellers continue competing in outlet markets of Asia, Africa and the Near East.

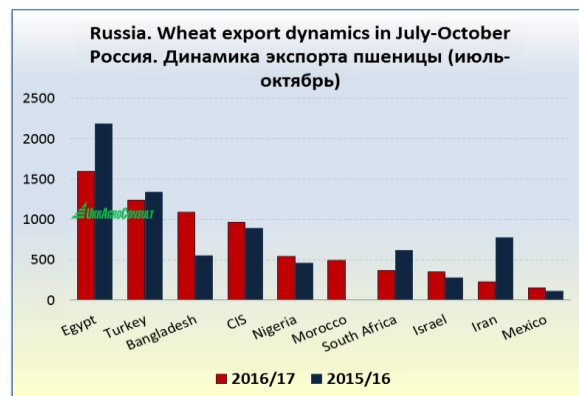
This season's wheat supplier No.1 – **Russia** – exported 10.7 MMT of wheat in the above-mentioned period, i.e. a bit less than in July-October 2015/16 (10.72 MMT). At the same time, further successes are noticed in Bangladesh, a traditional destination market for Ukrainian exports. Russian wheat supplies to this country jumped to 1092 KMT, i.e. doubled against the volumes of July-October 2015/16. A great deal of wheat (491 KMT) was shipped to Morocco, a traditional outlet market of the EU. 119 KMT of Russian wheat was exported to Morocco for the entire last season. However, such a major buyer as Egypt reduced purchases by 27%, to 1595 KMT from 2183 KMT. Iran slashed purchases more than three times to 232 KMT. Remarkably, all the other suppliers (the EU, Australia) also report a drop in purchases.

EU countries shipped abroad 9.8 MMT in the first four months of the season against 8 MMT at the same time in 2015/16. As UkrAgroConsult reported before, despite a poorer harvest in France, export wheat deliveries are made by smaller exporters – Romania, Poland, Bulgaria, as well as Germany. The EU shipments rose due to Asian markets, particularly a sharp increase in exports to Vietnam, which is not a major buyer of Ukrainian wheat (59 KMT for the full season of 2015/16). However, the EU appeared in the market of India (111 KMT for July-October 2016/17).

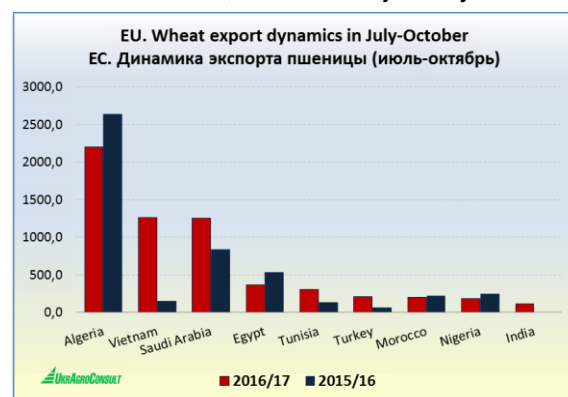
In the period under review, the **U.S.** boosted export supplies by 1.76 MMT to 9.4 MMT. Almost all the traditional wheat importers boosted their purchases, except for the EU and African countries. Higher deliveries are reported to Ukraine's traditional outlet markets such as Indonesia (338 KMT against 137 KMT a year ago) and the Philippines (957 KMT against 809 KMT). Egypt still ignores American wheat – the country bought absolutely no wheat in this period of 2016/17 compared to 66 KMT at the same time a year ago.

Canada lost out in the current season: its July-October exports dropped to 6.5 MMT from 7.4 MMT primarily because of lower deliveries to markets of South America (Venezuela, Columbia, Peru) and Asia (China, Vietnam, Thailand). Further decline is seen in shipments to Russia's and Ukraine's key destination markets such as Indonesia (511 KMT against 583 KMT) and Bangladesh (322 KMT against 372 KMT). Growth of exports is observed to African countries to which the EU cut supplies: Nigeria (297 KMT against 244 KMT), Algeria (255 KMT against 83 KMT), Morocco (153 KMT against 127 KMT).

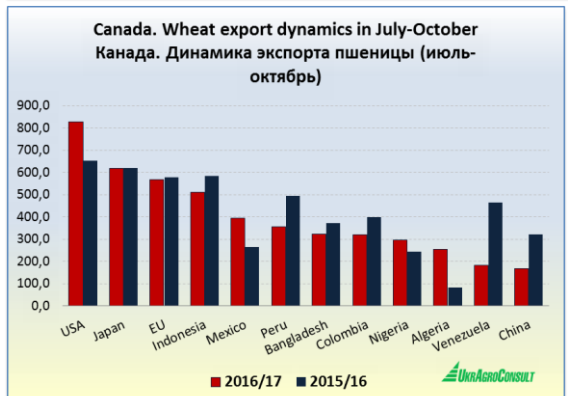
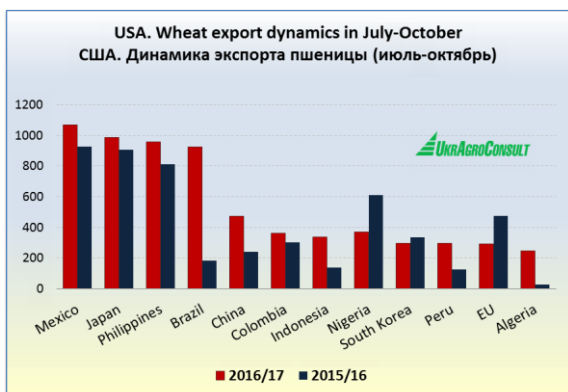
For **Australia**, the first month of the season was marked by a drop in shipments, but they picked up pace in August-



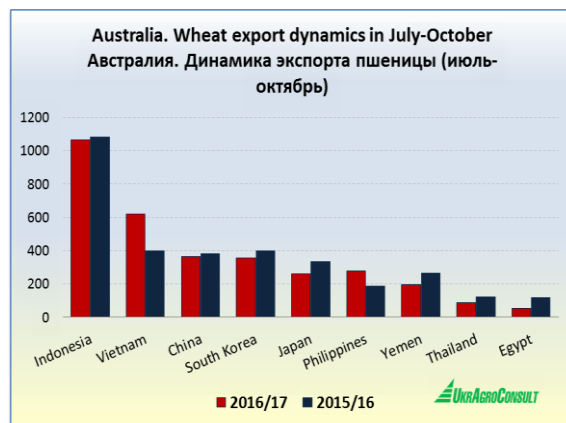
season. However, such a major buyer



for July-October 2016/17).

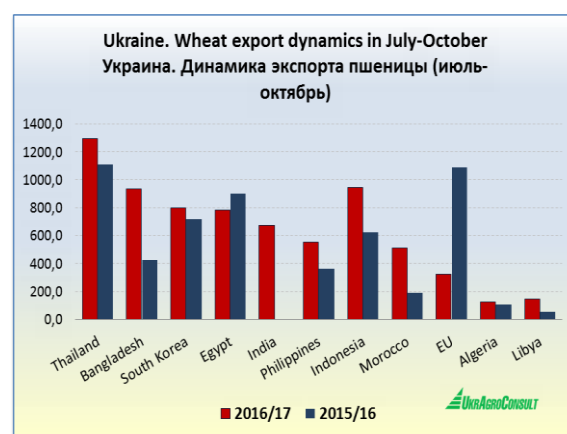


October when it became obvious that the nation would harvest a record wheat crop. Thus, July-October exports totaled 5.1 MMT against 4.9 MMT in the same four months in 2015/16. Most of Australian wheat traditionally goes to Asian markets. A decrease in deliveries to the markets of Indonesia (1067 KMT against 1082 KMT), South Korea (355.56 KMT against 400.8 KMT) and Thailand (90.5 KMT against 121.95 KMT) was somewhat offset by growth of supplies to the Philippines (278 KMT against 190 KMT) and India (467 KMT against 209 KMT). On average, Australia shipped about 240 KMT of wheat to India in each of the previous two seasons. African countries (Egypt and Nigeria) are losing interest in Australian wheat this season – they purchased a combined 248 KMT against 356 KMT.



Argentina traditionally intensifies exports beyond Mercosur from January, after the end of harvesting. 1.98 MMT was exported in the period under review against 1.5 MMT for the same four months of 2015/16 season. In the first half of the season, the main buyer was Brazil that received 1603 KMT of wheat (1401 KMT). However, deliveries to Indonesia (72 KMT) and Vietnam (24 KMT) were made as early as the first half of the season, though no wheat was exported to these countries from July till December 2015/16.

Unlike other countries stepping down exports to some of their key destinations, **Ukraine** actively builds up its presence in all the markets. In July-October, Ukrainian shipments were up at 8.4 MMT against 7.7 MMT in the same period in 2015/16 season. At the expense of decreased export shares of Australia and Canada, substantial growth was achieved in the markets of Thailand (1293 KMT against 1111 KMT), Bangladesh (933 KMT against 428 KMT), Indonesia (943.2 KMT against 625 KMT). Besides, at the expense of EU countries, Ukraine managed to step up supplies to African markets, in particular to Morocco (510 KMT against 189 KMT) and Algeria (126 KMT against 106 KMT). This somewhat offset a drop in exports to Egypt (784 KMT against 903 KMT). With regard to the market of India, Ukraine will have to withstand serious competition from Australia in the latter half of the season, after the country completes harvesting its bumper wheat crop.



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