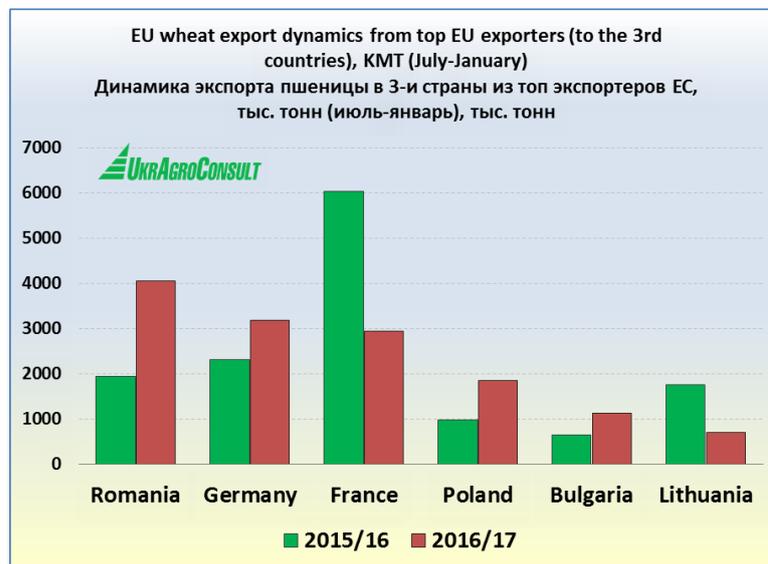


Will French wheat lose for a second season in a row?

According to the European Commission's estimates, EU countries will ship 8.7 MMT less wheat to third countries for the whole current season than a year ago: about 24 MMT against 32.7 MMT in MY 2015/16. This drop will be accounted for mostly by lower exports from France. At the same time, other exporting EU countries, including Romania, Germany, Poland, Bulgaria, managed to supply additional volumes to their key markets, France's markets, and open up new vistas for themselves. It is worth noting that the Black Sea countries have also succeeded in increasing their presence in the EU market.



So, France more than halved July-January deliveries to its top buyer Algeria against last season, to 1262 KMT. Exports to Morocco – the second largest non-EU buyer of French wheat – plummeted actually eight times to 86 KMT (670 KMT at the same time in 2015/16). Shipments to Cameroon fell to 141 KMT (235 KMT), while those to Côte d'Ivoire were down at 259 KMT (305 KMT) and exports to Senegal dropped to 112 KMT (247 KMT).

In turn, Ukraine and Russia managed to expand deliveries to these markets not only due to weakening competition but also because of competitive freight rates from Black Sea ports. After a long absence, Russia returned to the market of Algeria. Shipments to this destination were registered last time in MY 2009/2010, when they totaled 11.8 KMT for the whole season. Germany, Poland and the USA supply much more grain to this market in the current season.

	Algeria		Morocco		Cameroon		Senegal	
	2015/16 (July-Jan)	2016/17 (July-Jan)	2015/16 (July-Jan)	2016/17 (July-Jan)	2015/16 (July-Jan)	2016/17 (July-Jan)	2015/16 (July-Jan)	2016/17 (July-Jan)
Ukraine	106	152	331	635	x	x	x	48
Russia	0	73	25.8	640	5.5	131	16.6	190

Other promising destinations for Ukraine and Russia are the markets of Vietnam and Saudi Arabia – other top EU exporters have boosted deliveries to these countries in the current season. So, German shipments to Saudi Arabia skyrocketed almost fivefold year-on-year in MY 2016/17 (July-January), to 912 KMT. Poland expanded supplies to this market three times, to 842 KMT. At the same time, despite competitive freight rates from Black Sea ports to Saudi Arabia, Ukraine and Russia supply wheat to the Saudi market just occasionally. Ukraine exported 60 KMT to this country in July-January 2016/17 (0 KMT in the same period a year ago), while Russia made no deliveries there at all.

Romania increased its presence in Vietnam's market this season, when it boosted exports to the country to 838 KMT (63 KMT in the same period in MY 2015/16). At the same time, Ukraine made no deliveries there and Russia shipped just 66 KMT (0 KMT in the same period in MY 2015/16).

Taking into account this week's abrupt freeze in France, Germany and Romania, the 2017/18 restoration of European wheat's export potential is in question now. The situation may be aggravated by soil moisture shortages in France during the 2016 fall planting season that may entail another lean year.

Thus, Russia and Ukraine have a chance to keep increasing deliveries to EU markets in the new season. According to preliminary forecasts, Algeria and Vietnam will keep imports roughly at this season's levels: 8 and 3.5 MMT, respectively. Saudi Arabia is planning to boost imports on average by 6% to 3.7 MMT. The only exception will be Morocco, where the wheat crops almost doubled against the fail-year of 2016 – this will lead to a decline in foreign purchases.

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