

# Russian wheat production and exports: implications for EU

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Moscow, 2018

# SovEcon Profile

- SovEcon is the oldest Black Sea research firm focused on grains and oilseeds markets. The company was established in 1991.
- SovEcon has a reputation for accuracy of the information and forecasts and freedom from bias. SovEcon's clients include the majority of the principal trading and farming companies operating in the region, financial institutions, ag inputs suppliers, food companies, state and intergovernmental institutions.

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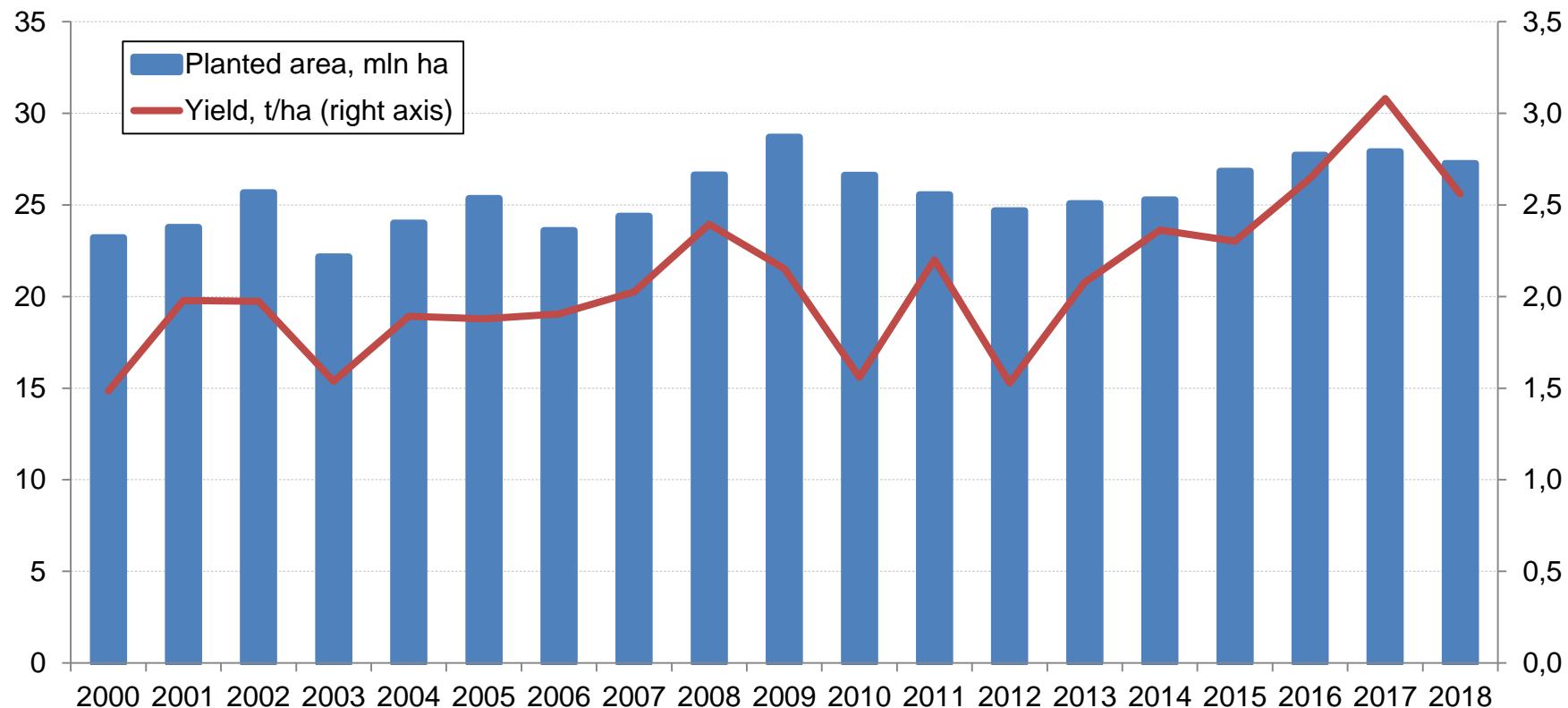
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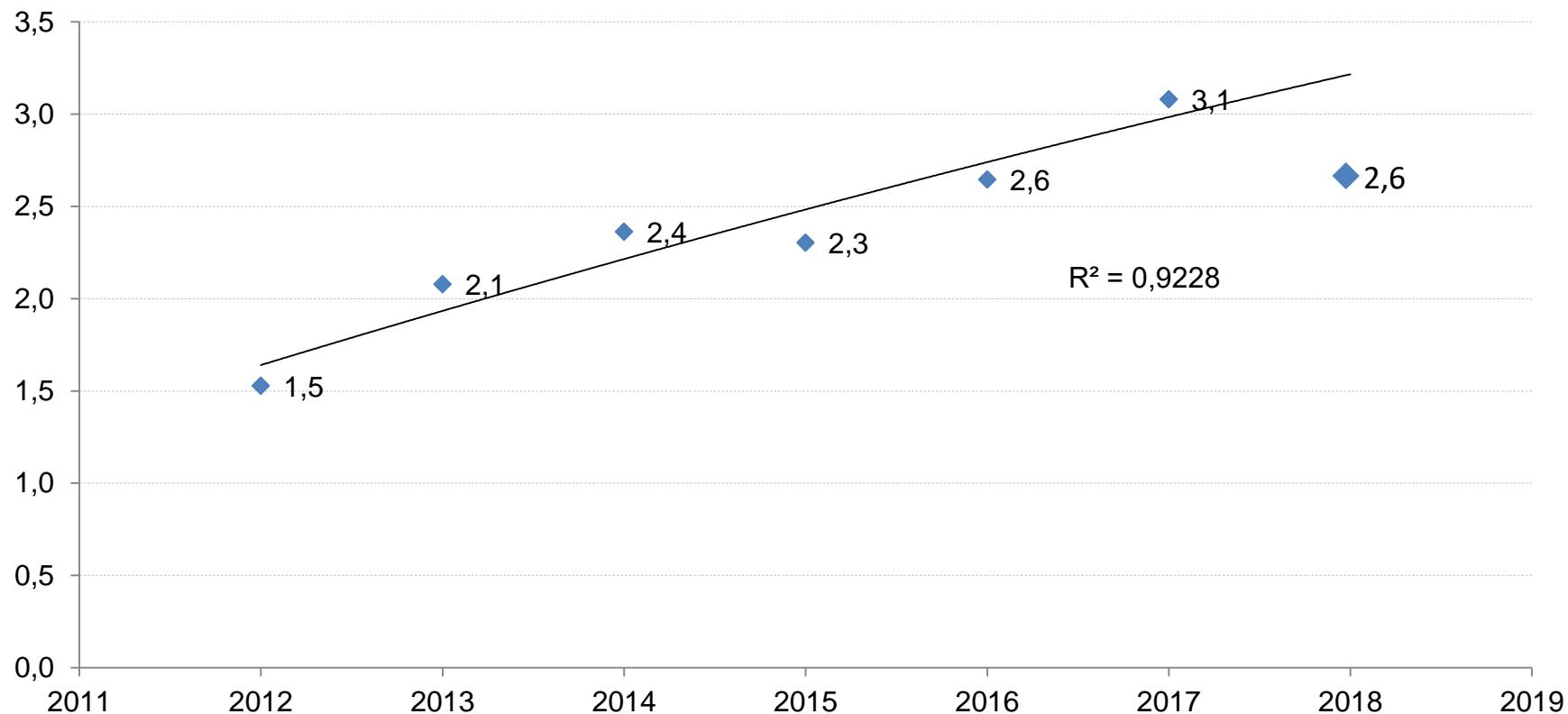
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# 2018 wheat and grain crop outlook

## Wheat area and yield



Source: Rosstat, SovEcon



Source: Rosstat, SovEcon

## Wheat yield 2018 estimate, t/ha



Source: Rosstat, SovEcon

## Wheat yield 2017, t/ha



Source: Rosstat, SovEcon

# Green grass in Moscow on New Year's Eve



## Snowy May in Siberia



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Photographer: Andrey Rudakov/Bloomberg

Business

## There's Good Reason for Russia to Worry About Expected Bad Weather

By Anatoly Medetsky

12 июня 2018 г., 7:00 GMT+3 Updated on 12 июня 2018 г., 19:16 GMT+3

- Several Moscow-based consultants cut estimates during weekend
- Harvest still expected to be the nation's third-largest

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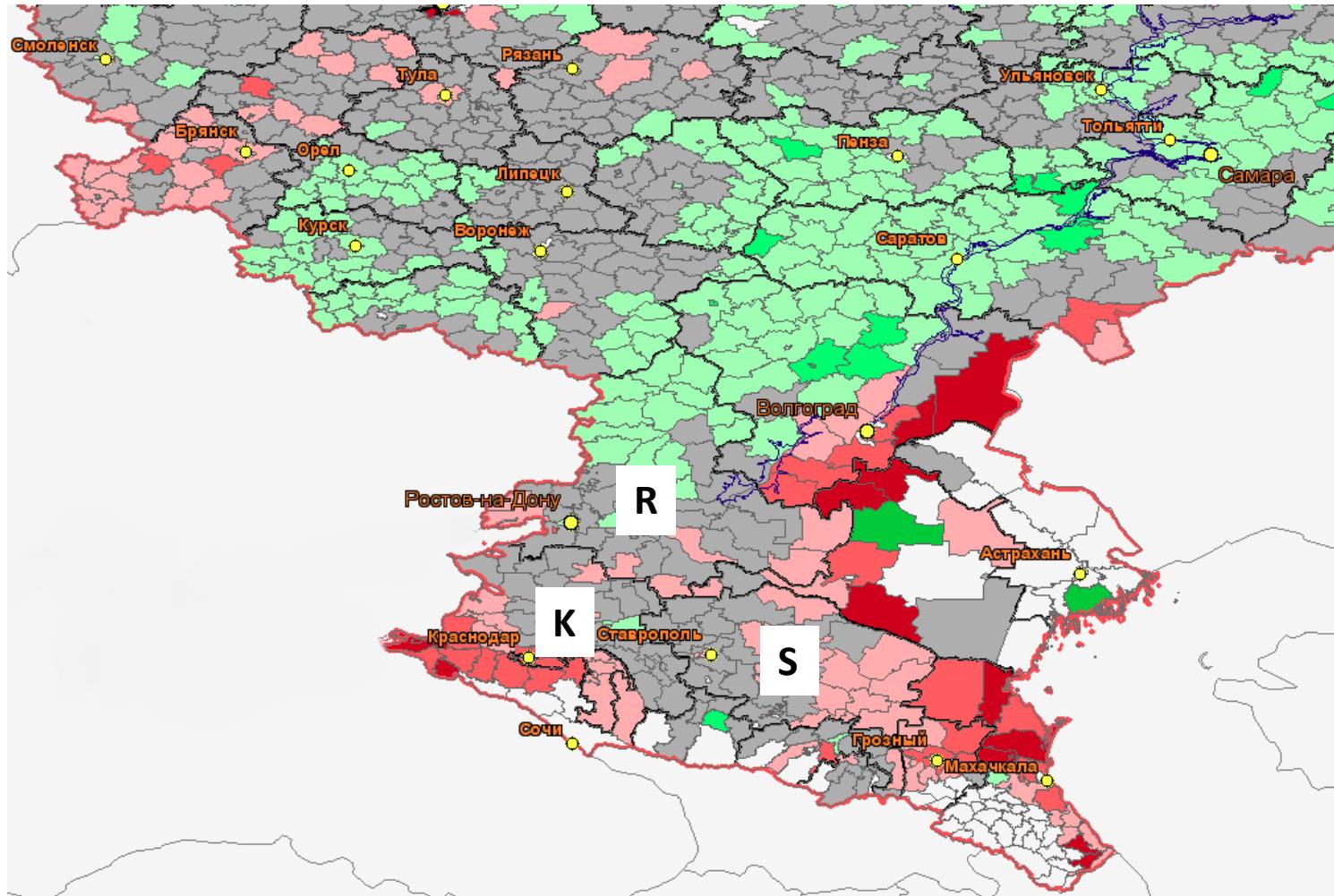
Russia's wheat crop is looking even bleaker by the day.

In the past week, several analysts ratcheted down their estimates for Russia's wheat crop because of bad weather. Dryness in the south, the main

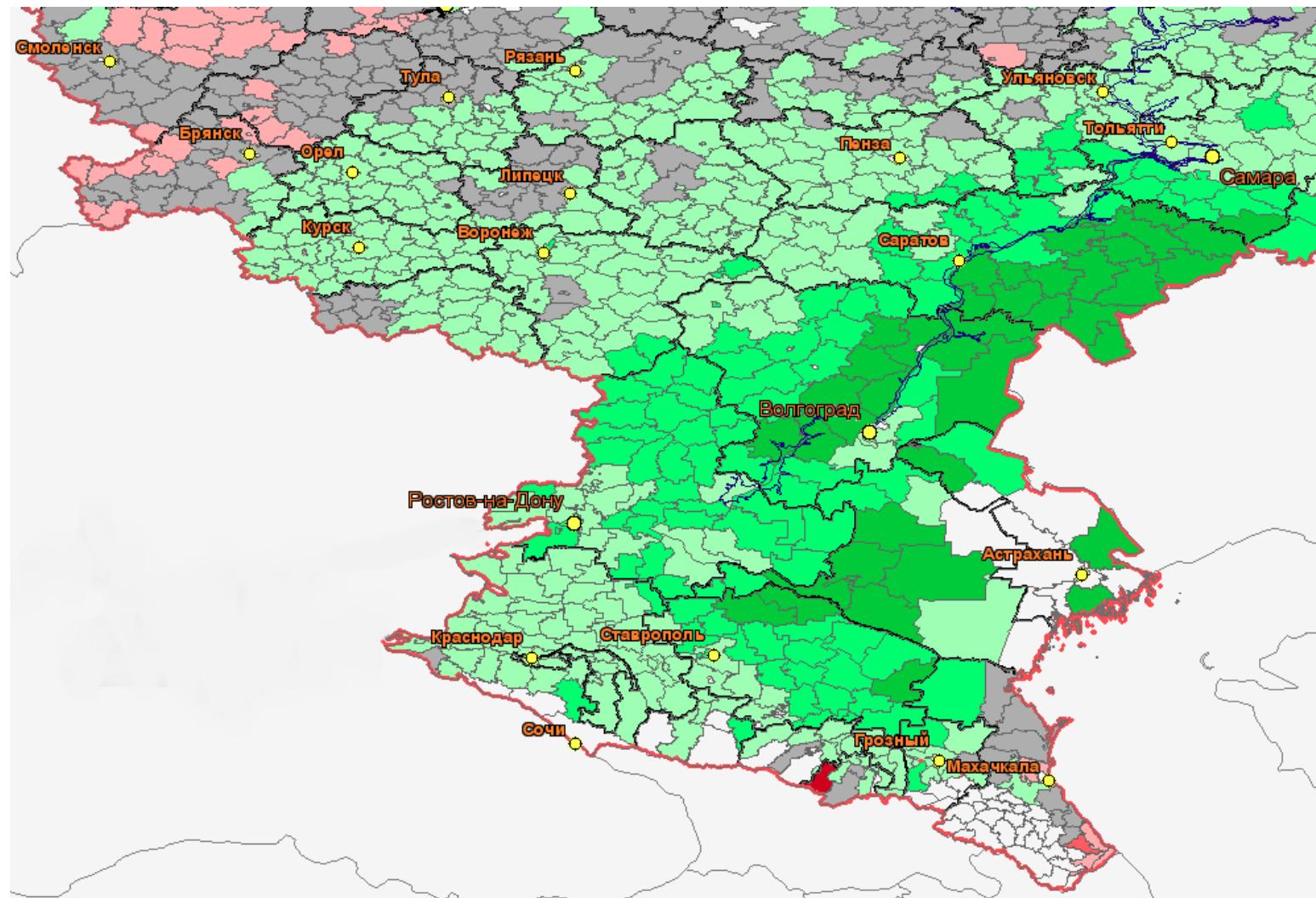
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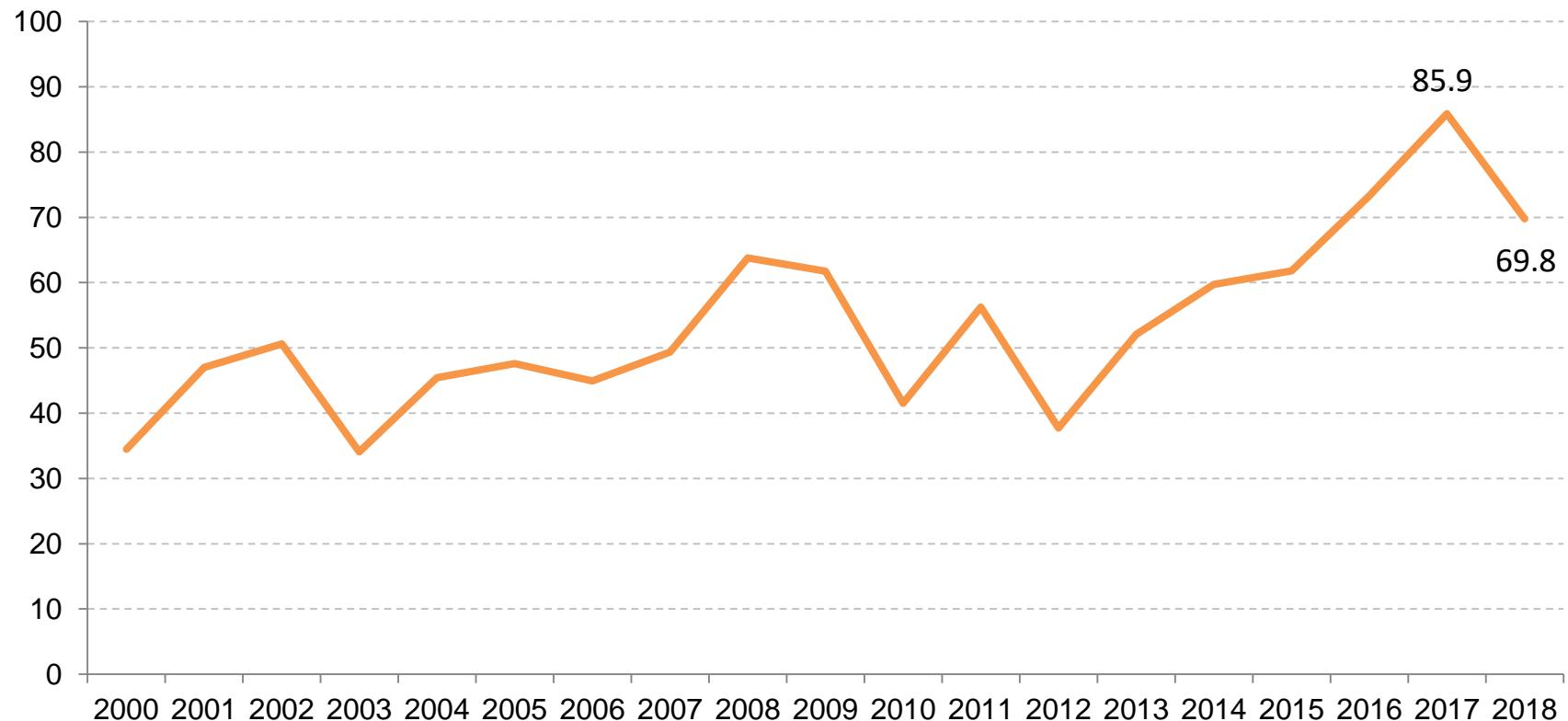
## Winter crops NDVI: departure from average, 23 week 2018



## Winter crops NDVI: departure from average, 23 week 2017

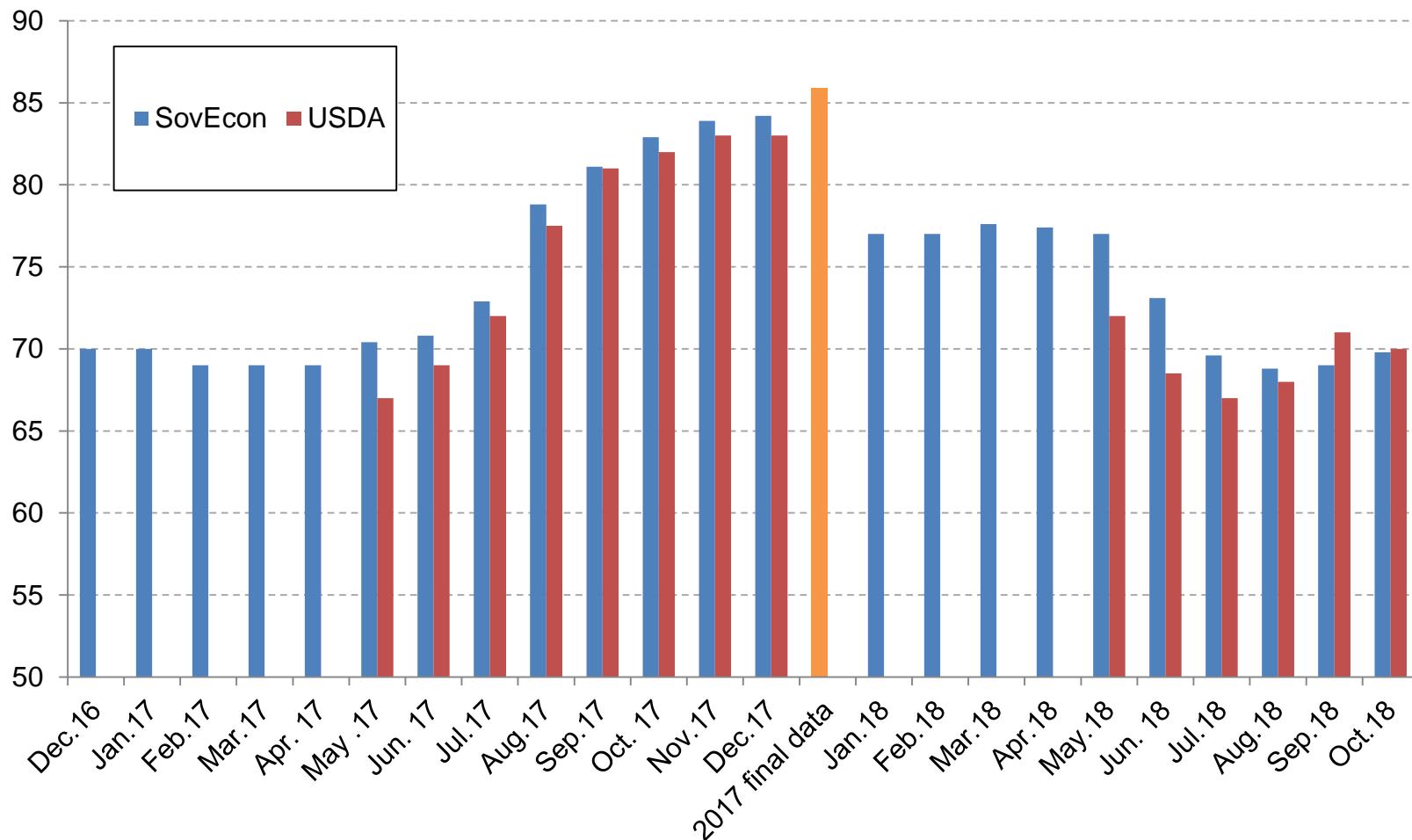


## Wheat production, mln t



Source: Rosstat, SovEcon

# SovEcon and USDA Russian wheat production estimates evolution in 2016/17 – 2017/18, mmt



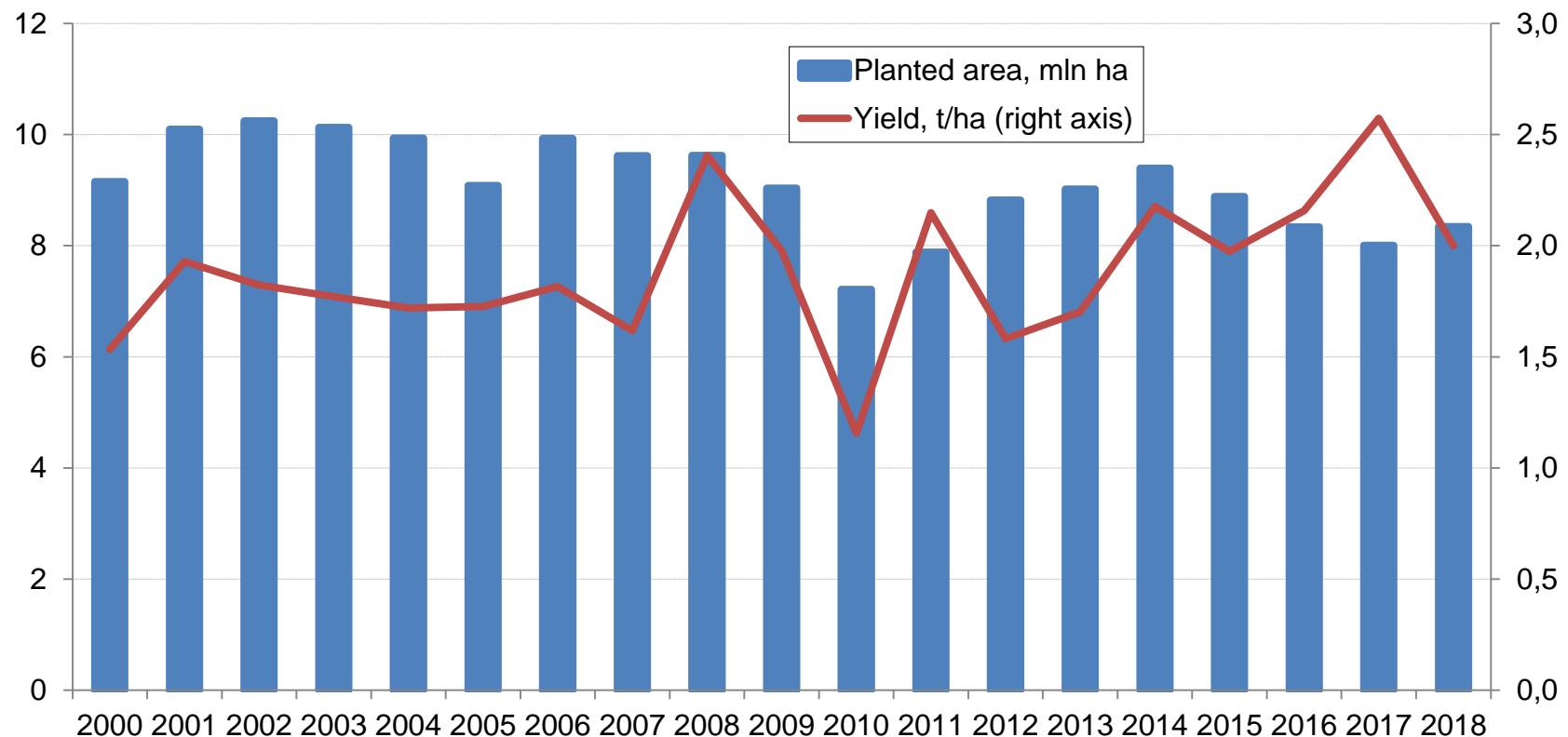
Source: SovEcon, USDA

## Barley production, mln t



Source: Rosstat, SovEcon

## Barley area and yields



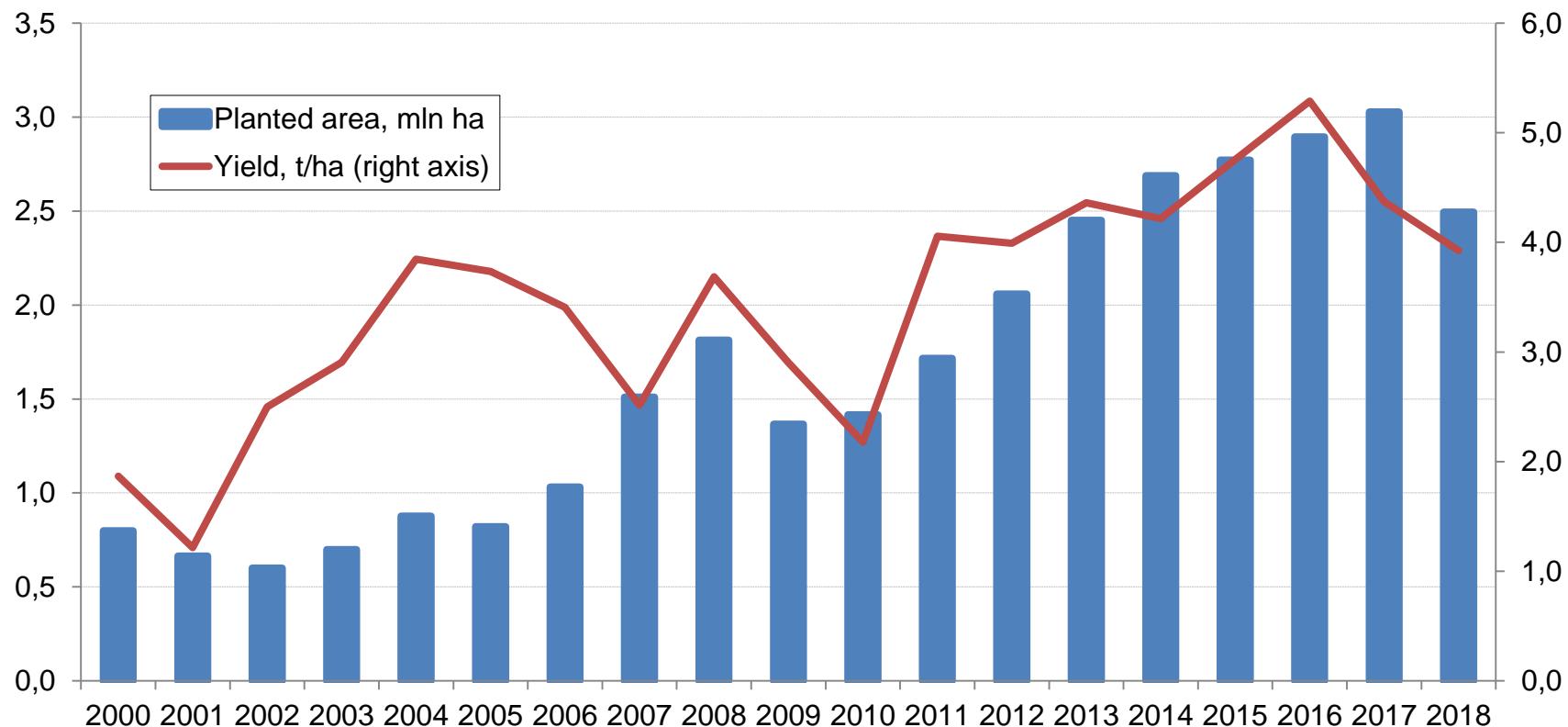
Source: Rosstat, SovEcon

## Corn production, mln t



Source: Rosstat, SovEcon

## Corn area and yields



Source: Rosstat, SovEcon

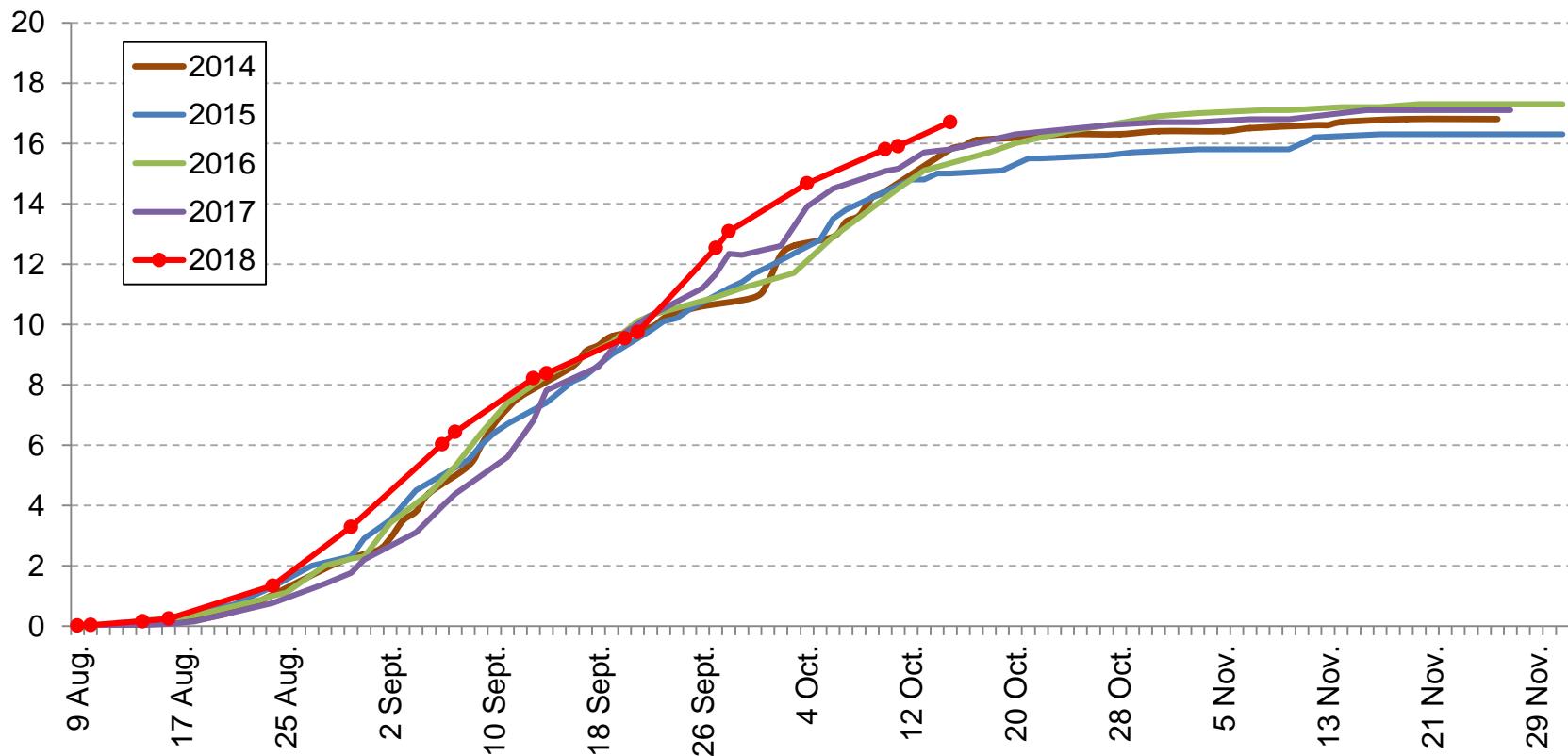
## Grain production, mln t



Source: Rosstat, SovEcon

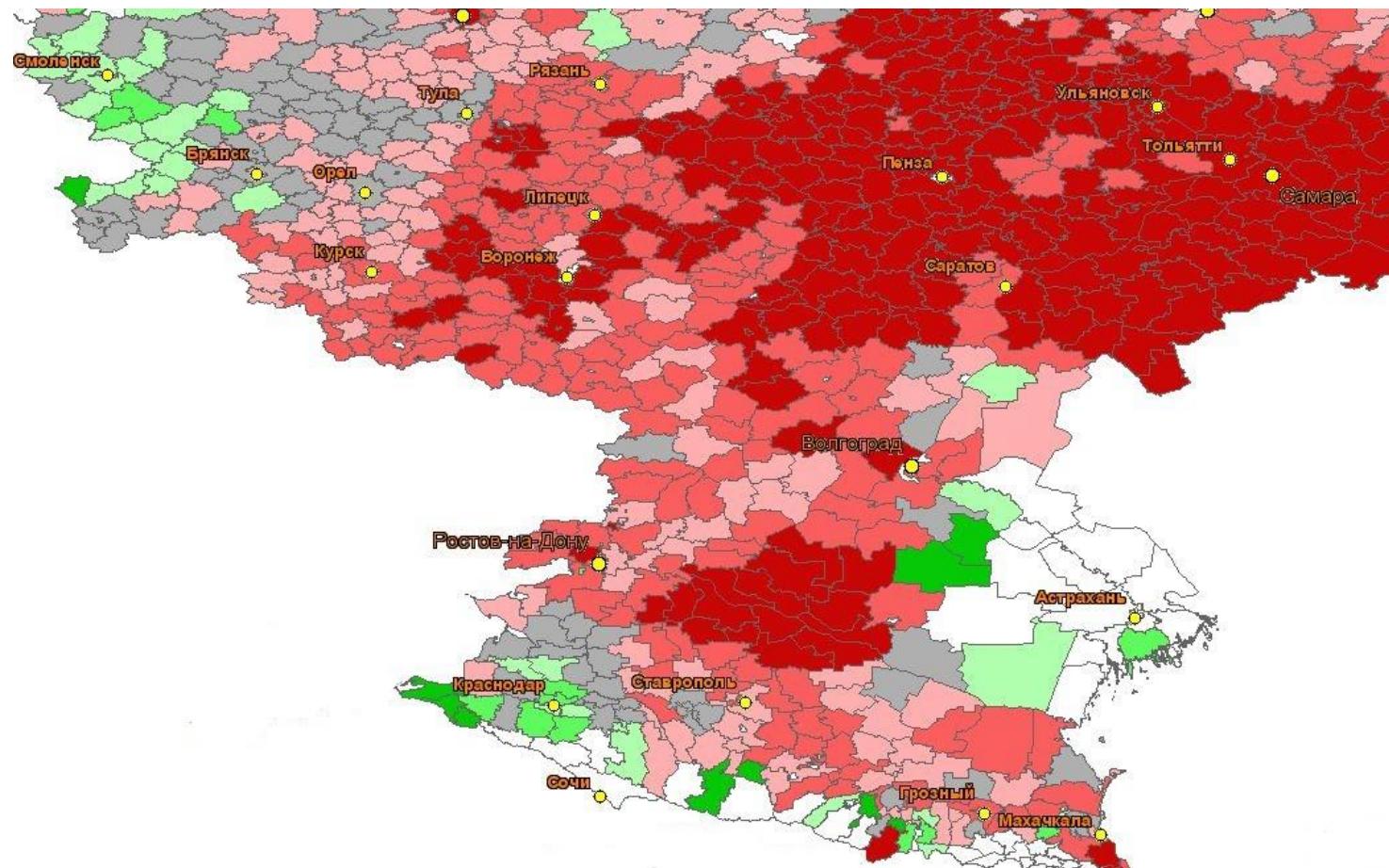
# 2019 outlook

## Winter crops sowing, mln ha

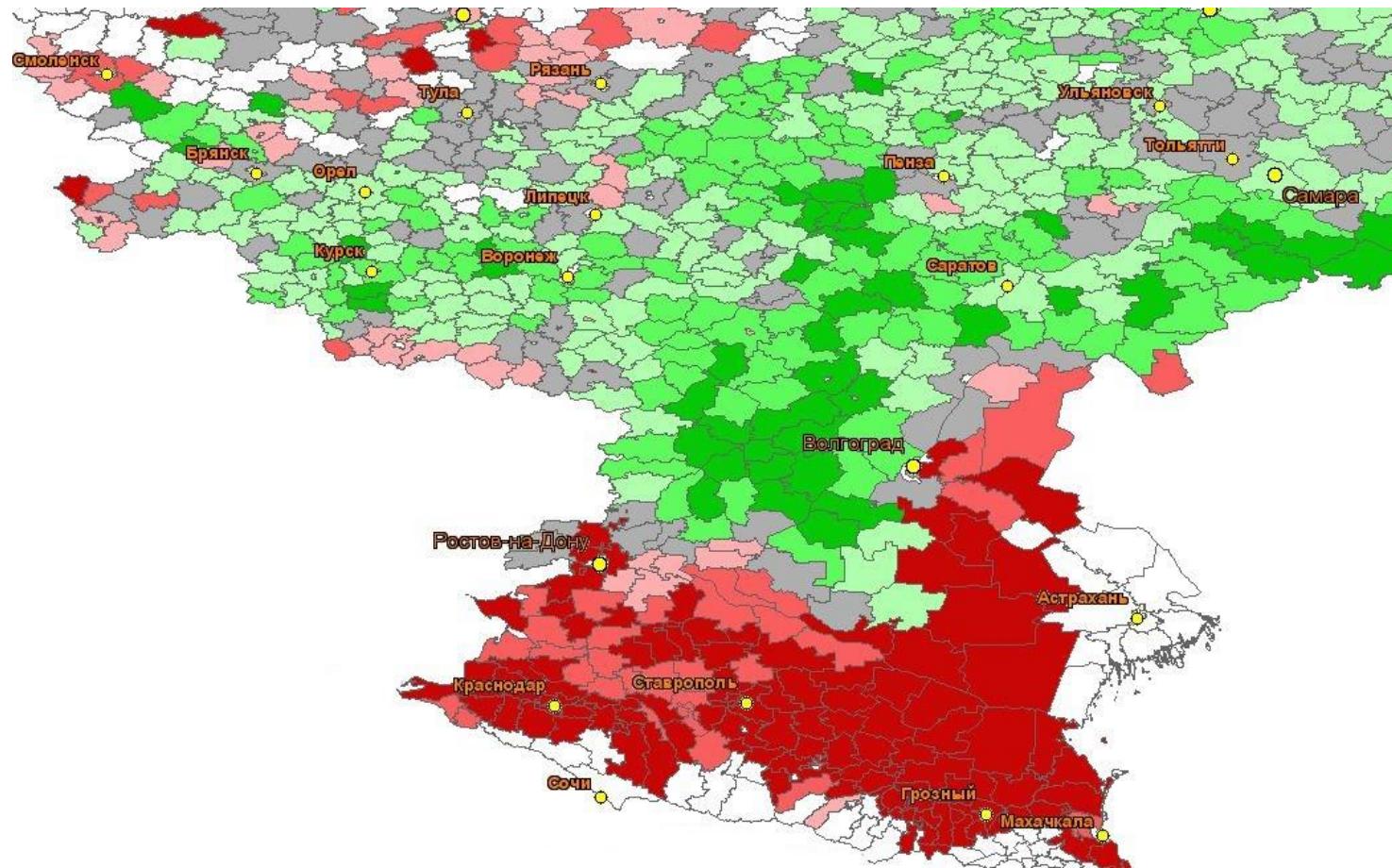


Source: Ministry of agriculture of Russia

# Winter crops NDVI: departure from average October 1 - October 7, 2018 (40<sup>th</sup> week )



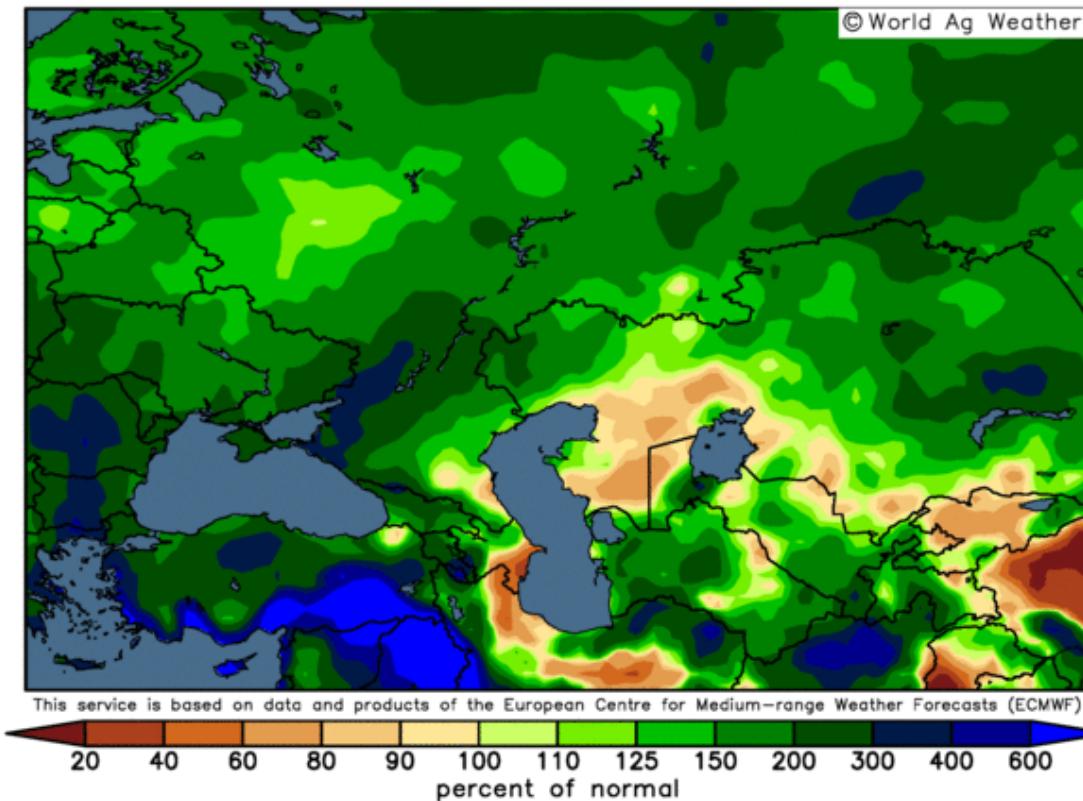
# Winter crops NDVI: departure from average October 2 - October 8, 2017 (40<sup>th</sup> week )



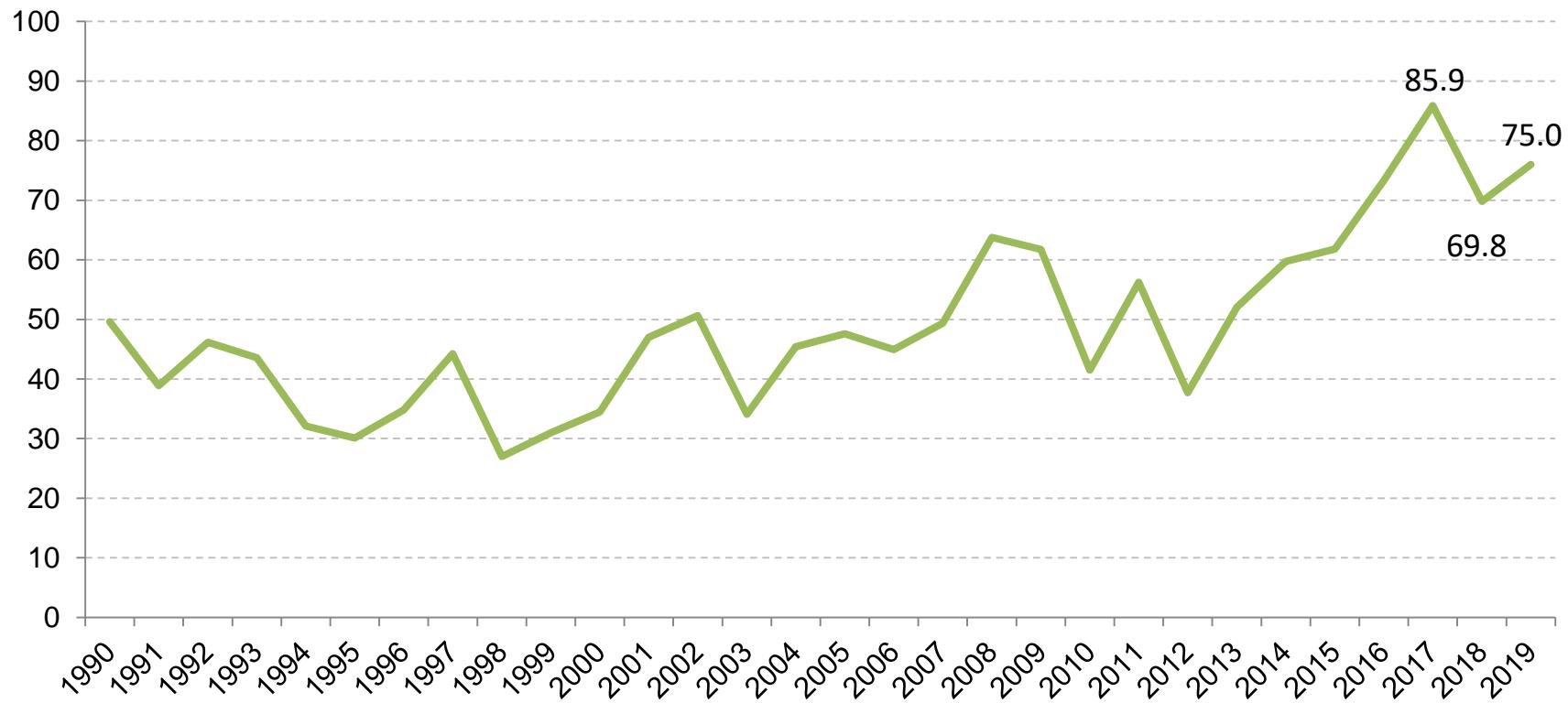
# Precipitation forecast for next 14 days

ECMWF 75th Percentile: Percent of Normal Precip  
Days 1–14: 00UTC 18 Oct 2018 – 00UTC 1 Nov 2018

Model Initialized 00UTC 17 Oct 2018

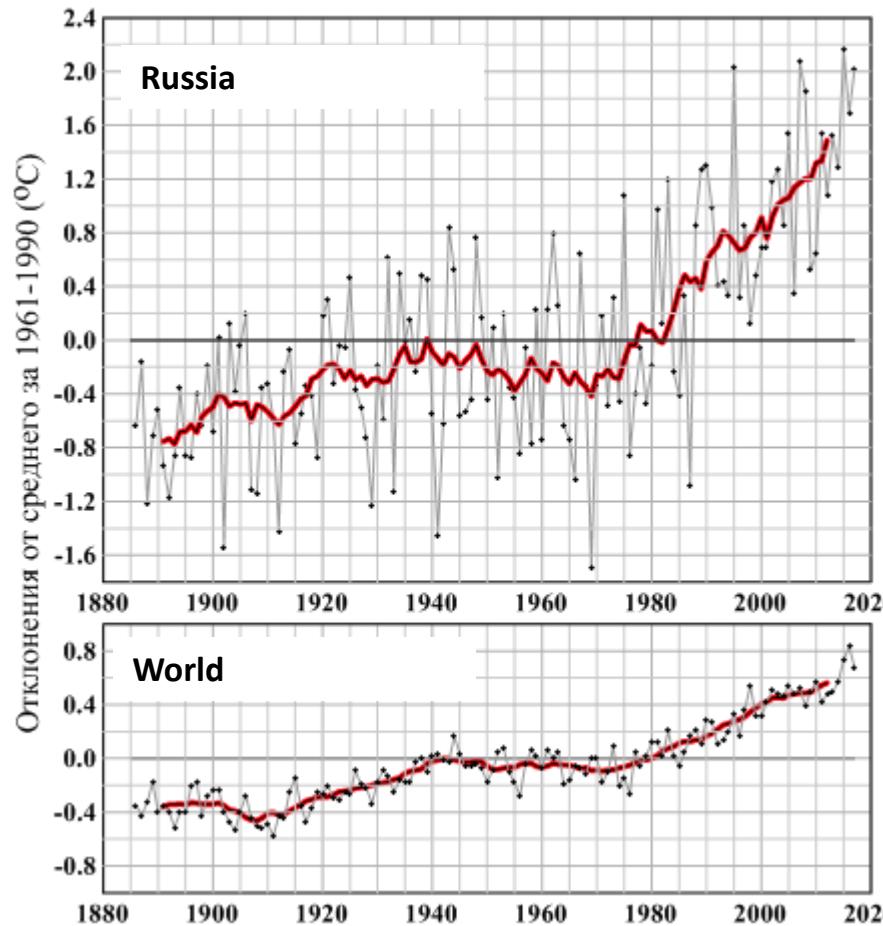


## Wheat production, mln t



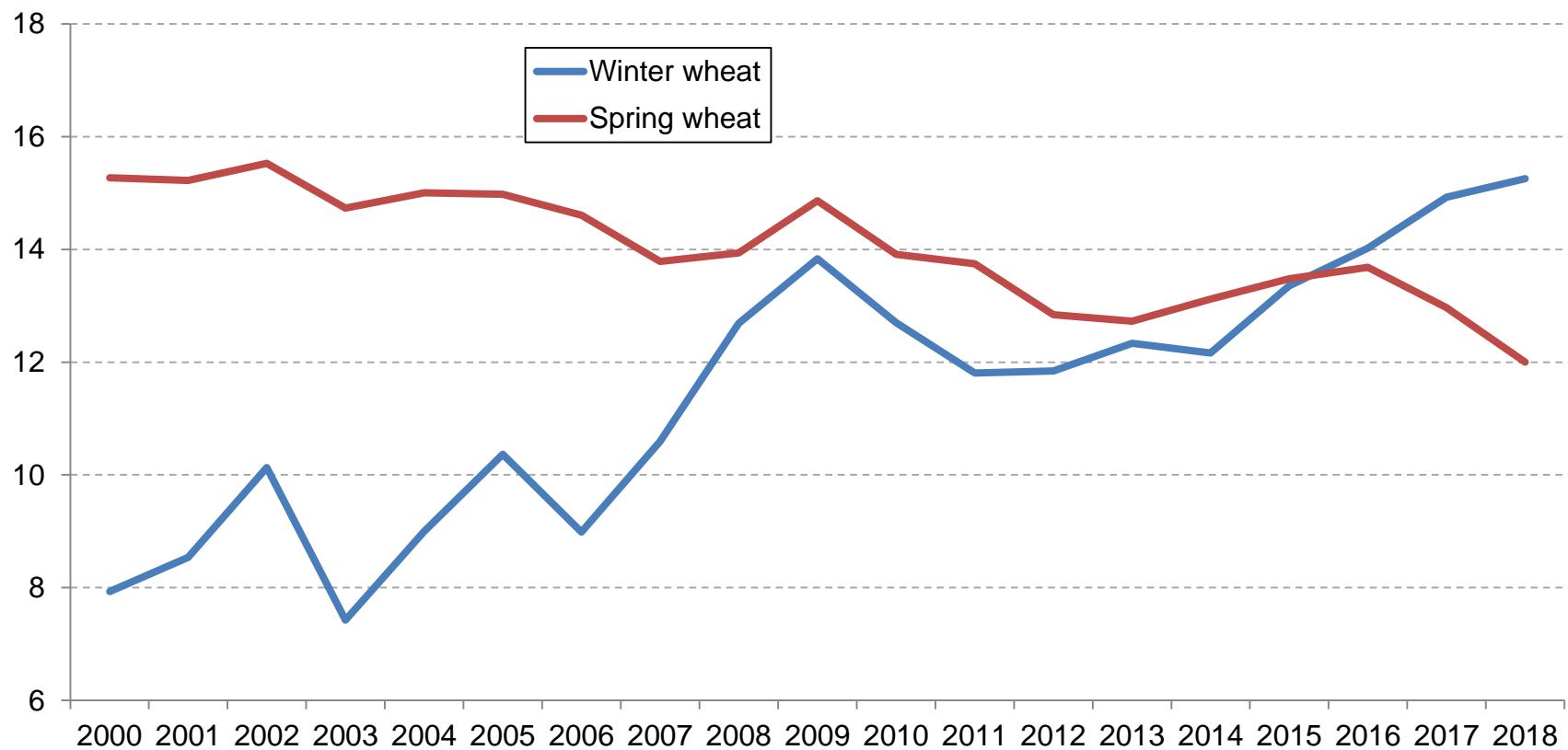
Source: Rosstat, SovEcon

# Annual temperatures departure from 1961-1990 average



Source: Institute of Global Climate and Ecology of Roshydromet and the Russian Academy of Sciences

# Winter and spring wheat area, mln ha



Source: Rosstat, SovEcon

# Wheat, Matif

ML - Milling Wheat - Monthly Nearest Candlestick Chart



# USDRUB

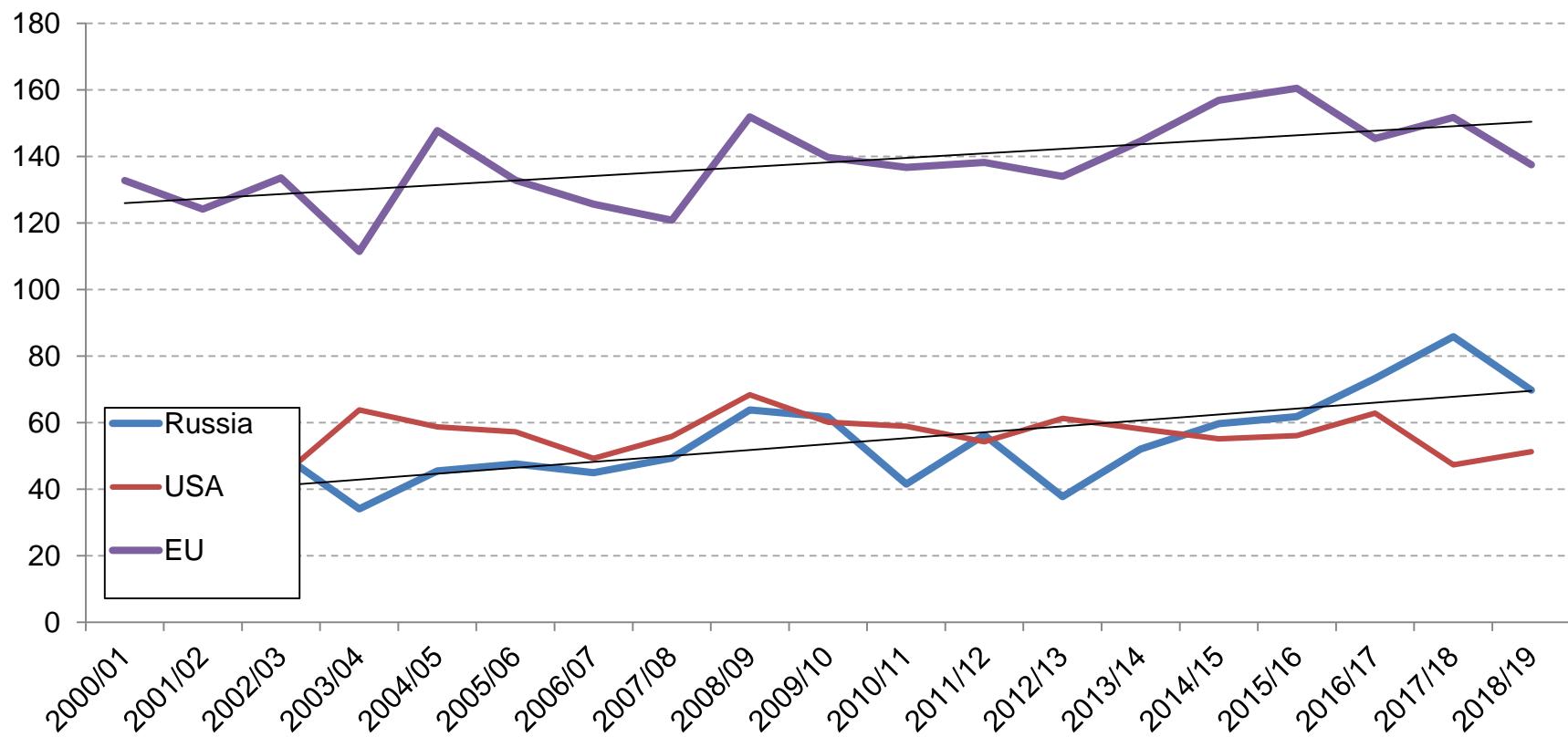
^USDRUB - U.S. Dollar/Russian Ruble - Monthly Candlestick Chart



# From planned economy to capitalism



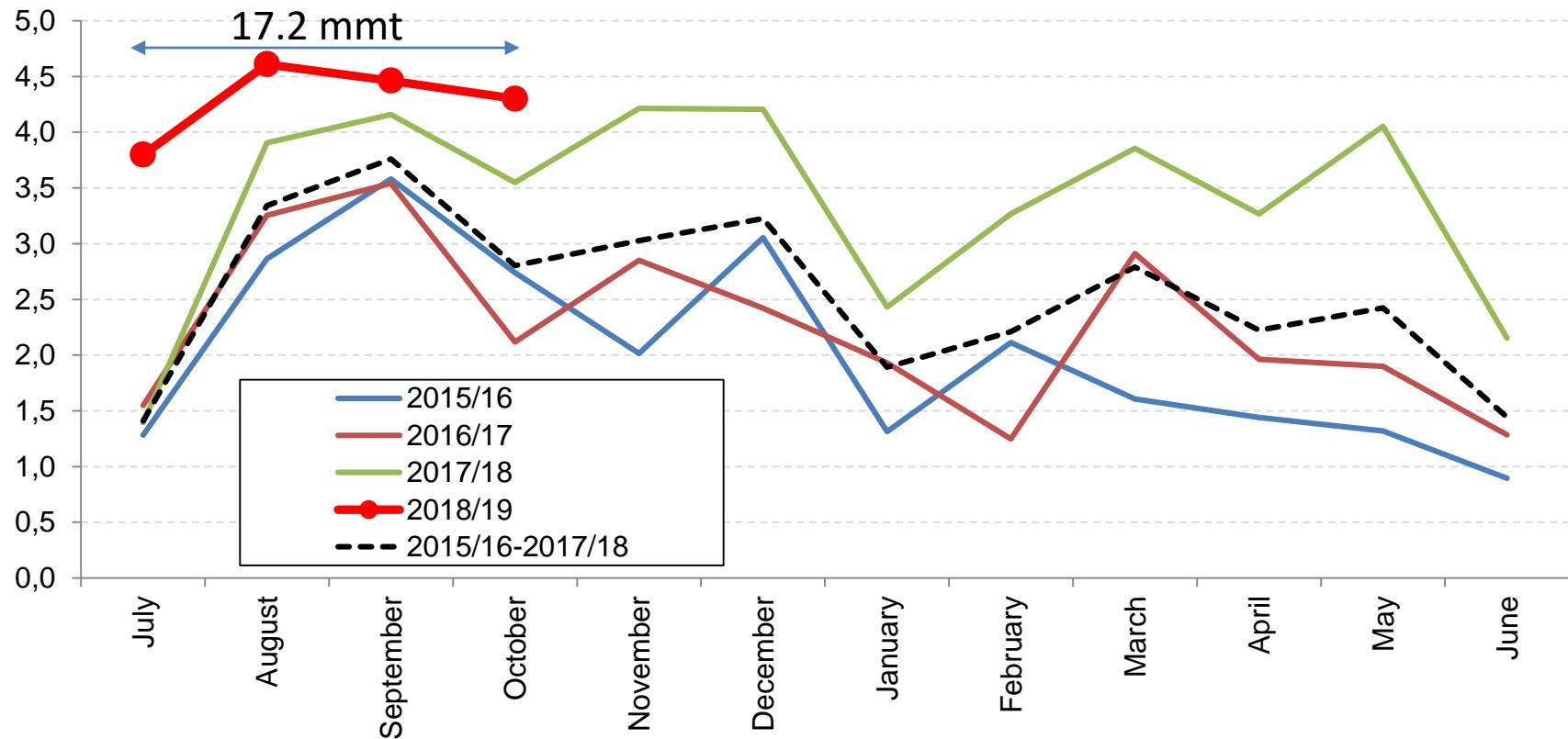
# Wheat production by top three exporters, mln t



Source: USDA, SovEcon

# Wheat exports

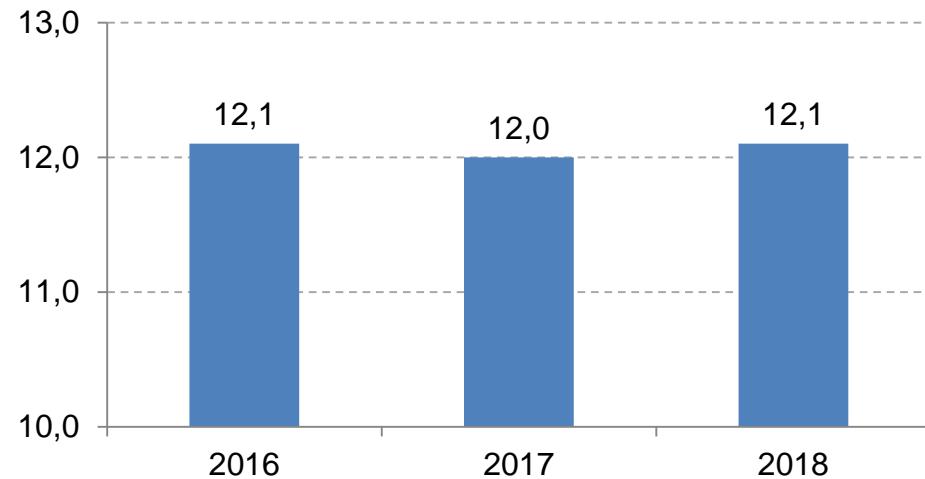
## Wheat exports by month, mln t



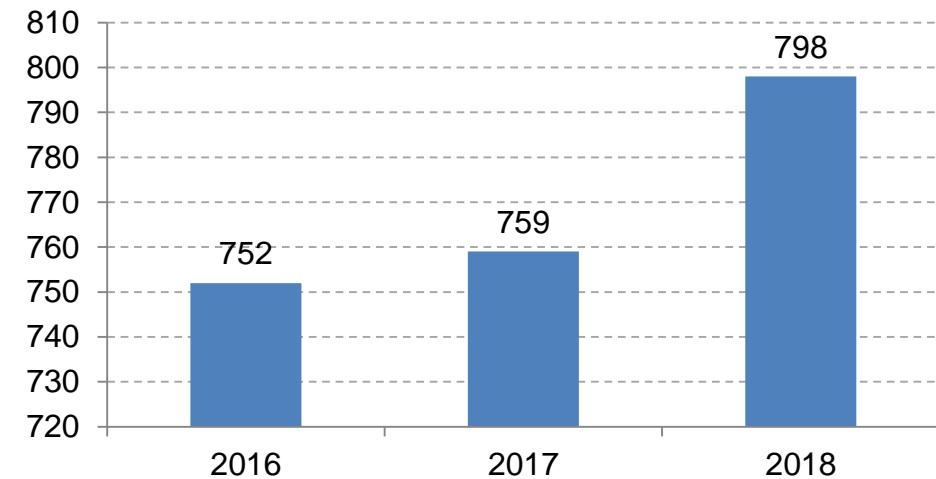
Source: Federal Custom Service, SovEcon

# Average specs of exported wheat

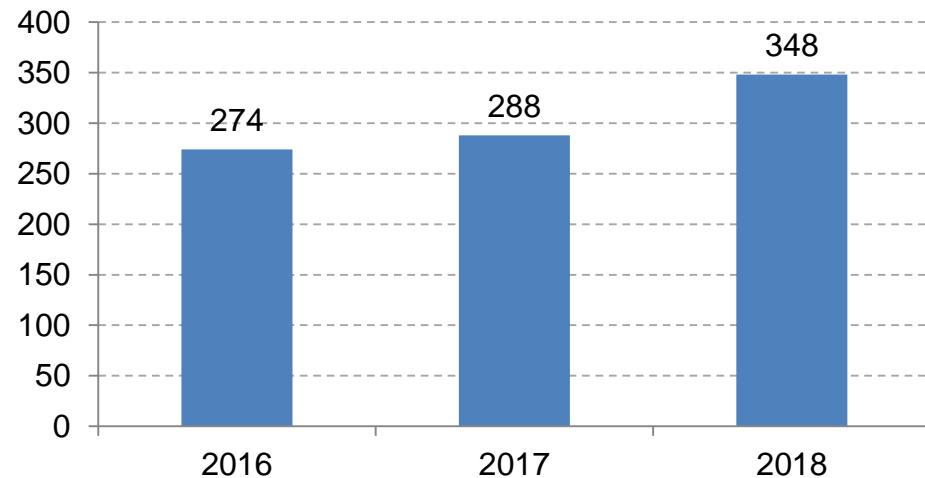
**Protein, %**



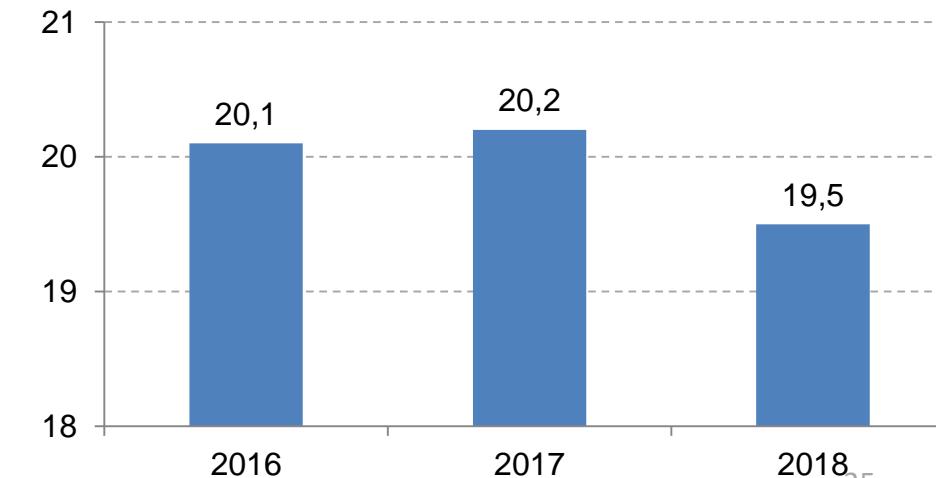
**Weight, g/l**



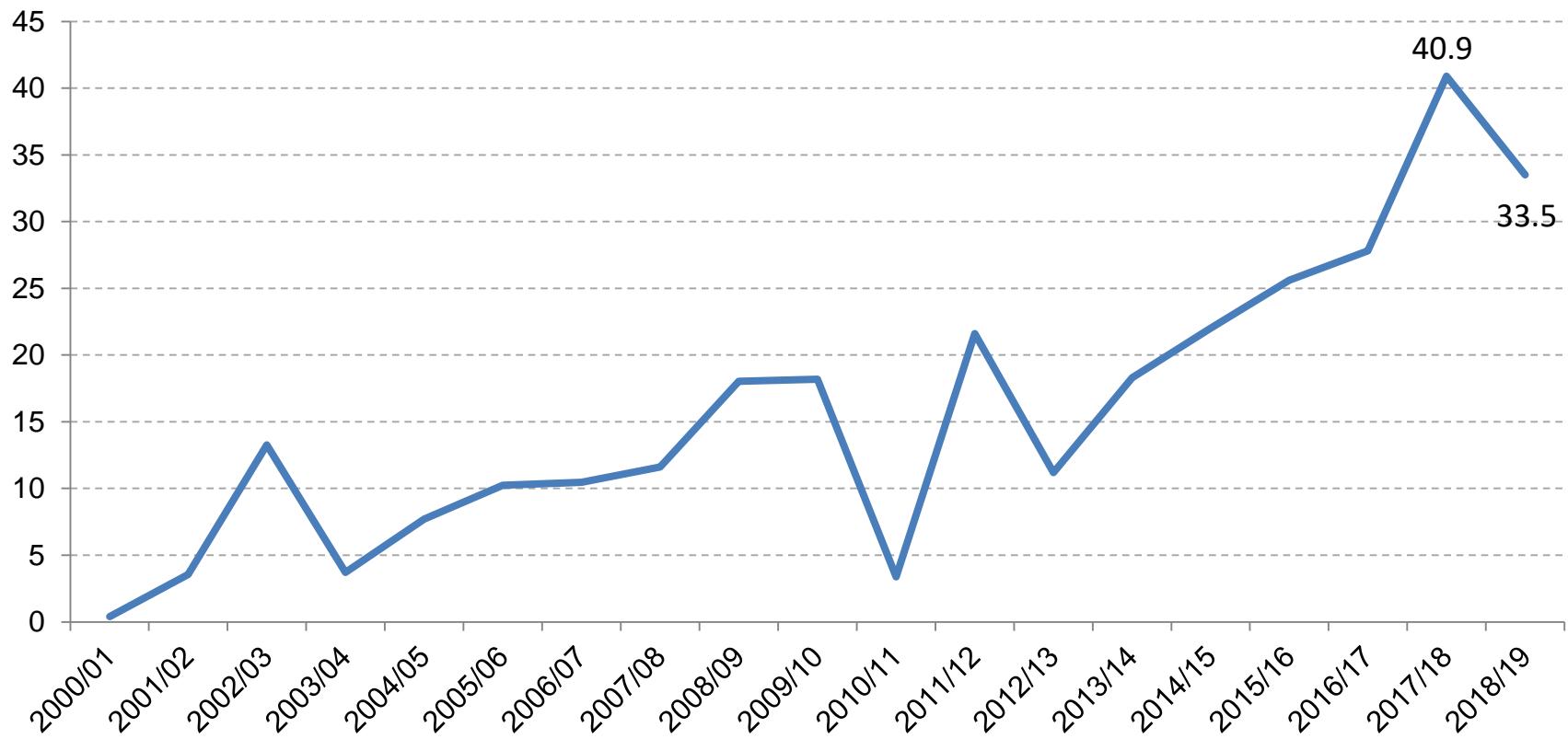
**Falling number, sec**



**Gluten, %**



## Wheat export, mln t



Source: Federal Custom Service, SovEcon



National Farmers  
@NatlFarmers

Читаю



Russia's wheat crop is short 62-67 mts vs 82 mts a year ago. Russia could ban wheat exports later in the year. The country typically exports 1.6 mln bu of wheat; this year it could be 1.2 mln bu). #wheat

Перевести твит

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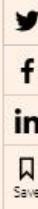
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## Wheat rises on fears of curtailed Black Sea exports



**Chicago soft winter wheat**  
Unit price (USD)



Month	Unit Price (USD)
Aug	420
Sep	400
Oct	450
Nov	440
Dec	400
Jan	430
Feb	450
Mar	480
Apr	440
May	500
Jun	550
Jul	500
Jul	550

Markets data delayed at least 15 minutes  
Source: Thomson Reuters

FT

Gregory Meyer AUGUST 2, 2018

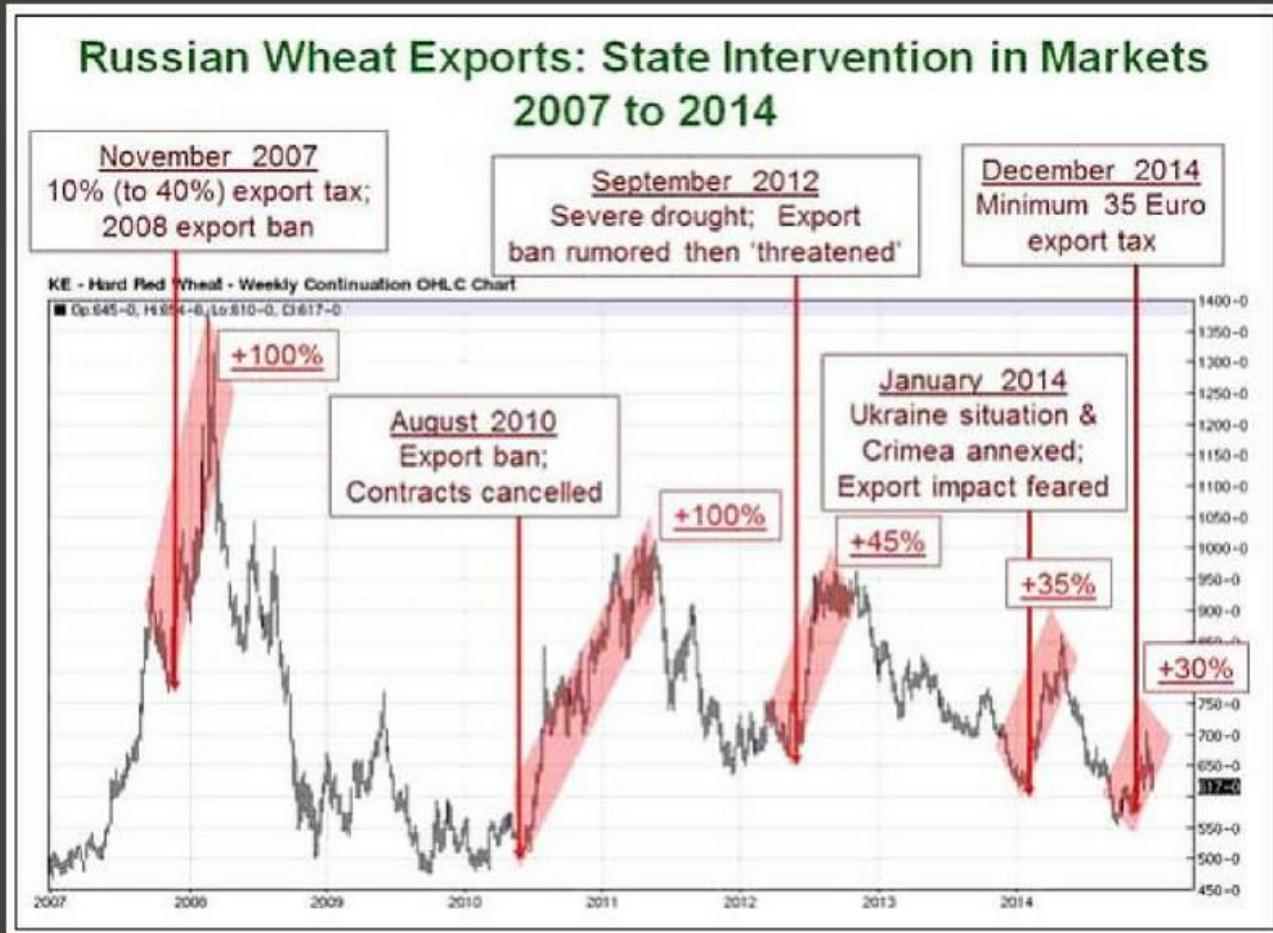


Wheat prices leapt to multiyear highs on Thursday on fears of curtailed exports from the Black Sea after heat and drought damaged crops across Europe.



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## Russia, Crippled by Drought, Bans Grain Exports

By ANDREW E. KRAMER   AUG. 5, 2010

A firefighter silhouetted against a bright orange forest fire.

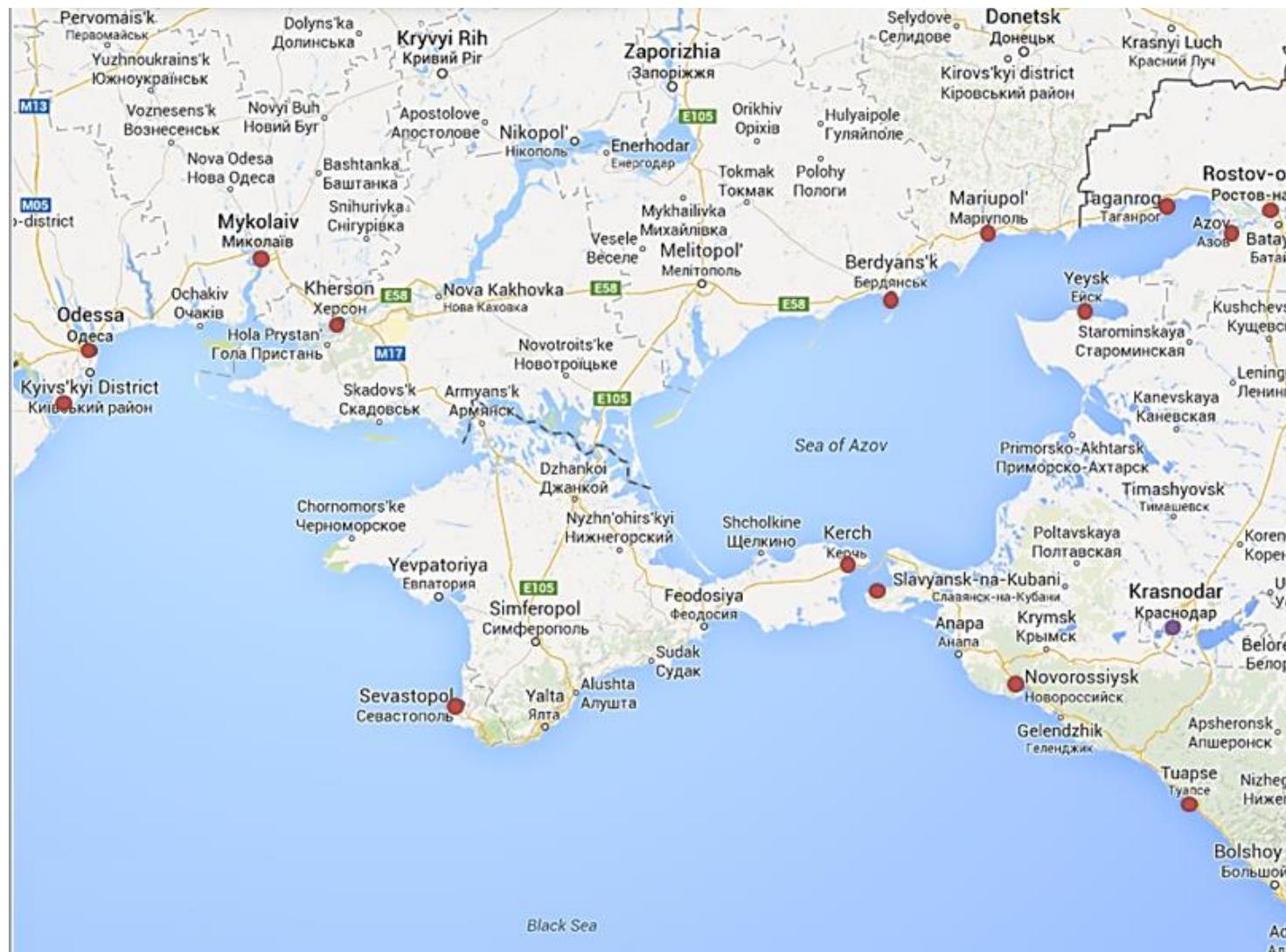
Russians fought a fire near the village of Golovanovo, in the Ryazan region of Russia on Thursday.  
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MOSCOW — Prime Minister Vladimir V. Putin on Thursday banned all exports of grain after millions of acres of Russian wheat withered in a severe

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# The main ports of the Black Sea region



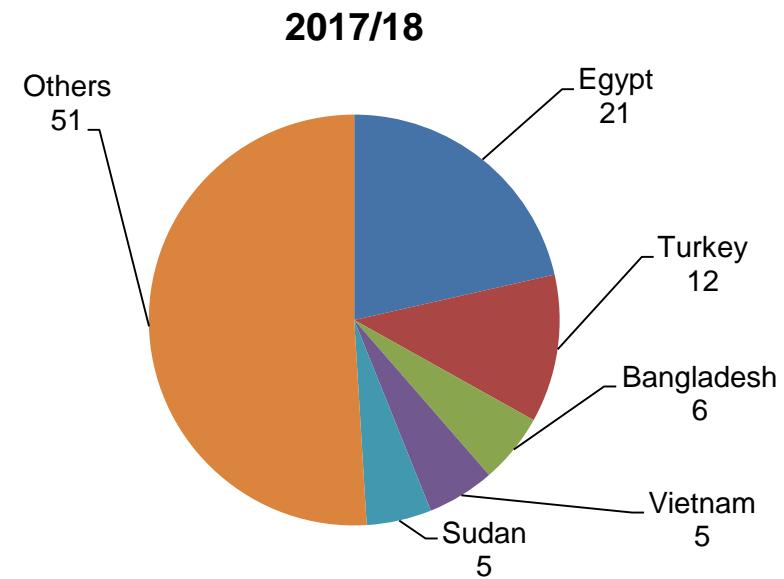
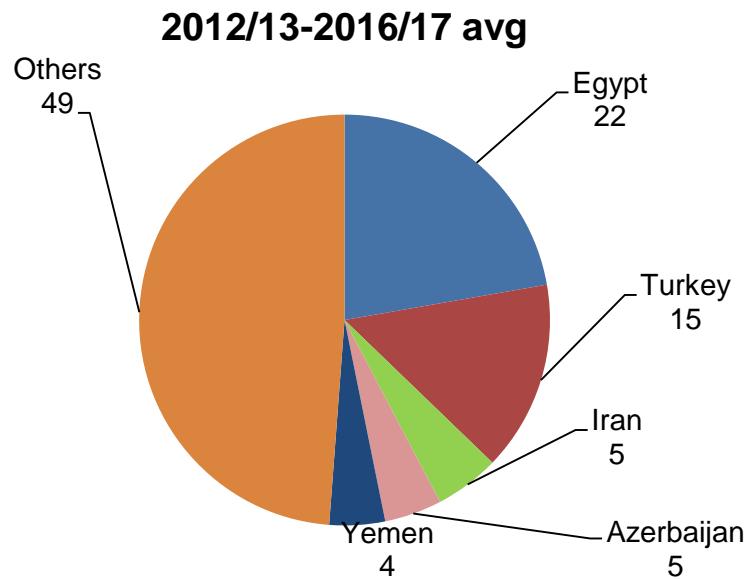
# Transshipment of grain in the Black Sea



Source: Nibulon

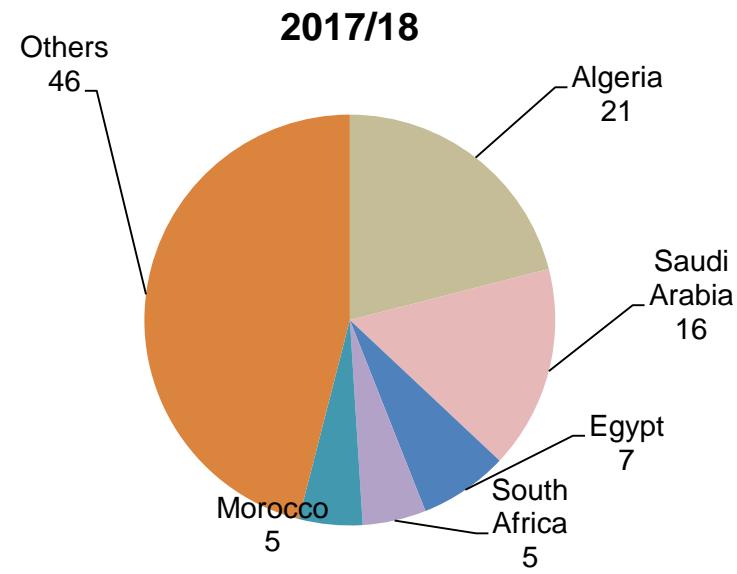
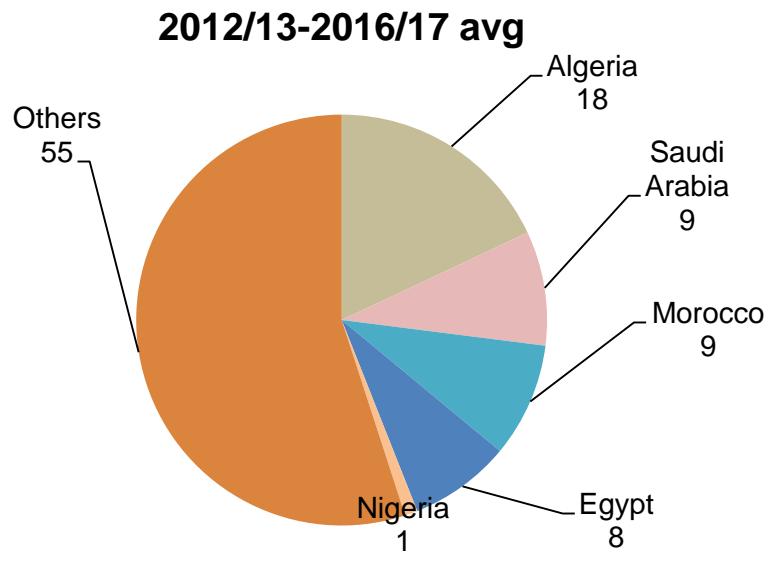
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# Key wheat markets for Russian wheat, %



Source: Federal Custom Service, SovEcon

## Key wheat markets for EU, %



Source: European Commission

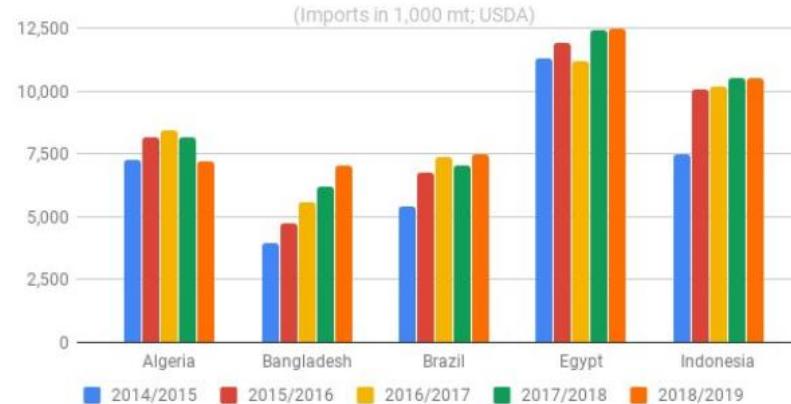


Andrey Sizov  
@sizov\_andre

Algeria (#3 wheat importer) could allow Russian **#wheat** imports. Algerian delegation visited Russia in September and returning on October 10. Follow this story and our estimates of the Russia wheat exports, take a free trial -> [promo.sovecon.ru/tsr #oatt](http://promo.sovecon.ru/tsr #oatt)

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The Sizov Report: with Algeria Russian wheat could be sold to all 5 top importers  
(Imports in 1,000 mt; USDA)



16:02 - 1 окт. 2018 г.

33 ретвита 55 отметок «Нравится»



33



55



# Key takeaways

- Good 2017 wheat crop (~70 mmt) despite challenging weather
- Some kind of export restrictions are possible. IF this happens – full ban possibility is low. Most likely no decision has been made at the moment.
- Exports are likely to slow down sharply in several months due to tight S&D, around 50% of total 18/19 estimated export volume is likely to be shipped in Jul-October
- In 2019 Russia could harvest another bumper crop (75 mmt) with an average weather
- Growth of ag exports from \$21bln in 2017 to \$45bln in 2023 is one of the top state priorities
- Russian authorities are focused on opening new export markets. In 2018/19-2019/20 Russian wheat may enter new key markets for EU – Algeria and Saudi Arabia

# The Sizov Report on the Black Sea Grain Market

Everything you need to know about the Black Sea

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