The Growing Importance of Russia in the Wheat Market

ANDREW SOWELL
SENIOR WHEAT ANALYST
OFFICE OF GLOBAL ANALYSIS, FAS, USDA, WASHINGTON, DC
Russia Becomes World’s Leading Wheat Exporter
Factors for Russia’s Rising Wheat Exports

Production surging
- Rising area – gradual shift from small grains to corn and wheat
- Higher yields – improved technology and favorable weather

Improvements in port infrastructure

Expansion in global trade

Competitive pricing
- Major supplier to nearby markets - Middle East and Africa
- Growing market in more distant countries as well - Latin America and Asia
Russian Wheat Production Nearly Doubled Since 2000/01
Wheat Area Harvested Rising

Million Hectares

<table>
<thead>
<tr>
<th>Year</th>
<th>Harvested</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000/01</td>
<td>15</td>
</tr>
<tr>
<td>2001/02</td>
<td>17</td>
</tr>
<tr>
<td>2002/03</td>
<td>17</td>
</tr>
<tr>
<td>2003/04</td>
<td>19</td>
</tr>
<tr>
<td>2004/05</td>
<td>21</td>
</tr>
<tr>
<td>2005/06</td>
<td>23</td>
</tr>
<tr>
<td>2006/07</td>
<td>25</td>
</tr>
<tr>
<td>2007/08</td>
<td>27</td>
</tr>
<tr>
<td>2008/09</td>
<td>27</td>
</tr>
<tr>
<td>2009/10</td>
<td>29</td>
</tr>
<tr>
<td>2010/11</td>
<td>29</td>
</tr>
<tr>
<td>2011/12</td>
<td>27</td>
</tr>
<tr>
<td>2012/13</td>
<td>25</td>
</tr>
<tr>
<td>2013/14</td>
<td>23</td>
</tr>
<tr>
<td>2014/15</td>
<td>21</td>
</tr>
<tr>
<td>2015/16</td>
<td>23</td>
</tr>
<tr>
<td>2016/17</td>
<td>29</td>
</tr>
<tr>
<td>2017/18</td>
<td>27</td>
</tr>
<tr>
<td>2018/19</td>
<td>25</td>
</tr>
</tbody>
</table>
Yield Rising Even Faster

Metric Tons per Hectare

Year
- 2000/01
- 2001/02
- 2002/03
- 2003/04
- 2004/05
- 2005/06
- 2006/07
- 2007/08
- 2008/09
- 2009/10
- 2010/11
- 2011/12
- 2012/13
- 2013/14
- 2014/15
- 2015/16
- 2016/17
- 2017/18
- 2018/19

Value
- 1.5
- 1.75
- 2
- 2.25
- 2.5
- 2.75
- 3
- 3.25
Improvements to Infrastructure

Huge boost in port capacity in last 15 years as Russia has transitioned to being a major exporter

Improved rail capacity – more cars, trains – quicker turnover

Further investments ongoing to continue building and modernizing ports
  ◦ Novorossisk
  ◦ Taman
  ◦ Plans to develop new grain terminal in Far East

On-farm storage – new storage being built, but quality of current storage is concern
Continuing Challenges

Internal movement of grain
- Elevator throughput not fast enough
- 54 car trains expanded to 71, but elevators not ready for the longer trains

Storage challenges
- Shortage
- Newly constructed storage is small relative to that which is outdated or insufficient

Ports: insufficient port depth
Further Challenge: Distance to Port
Russia Becoming More Consistent Supplier

History of restricting exports
- 2010/11: Russian wheat export ban in effect from August 2010 through June 2011
- 2014/15: Export duty in place February-May 2015 – strengthened phytosanitary controls and slower rail service also reported

Minimal disruptions recently (actually subsidized rail to move wheat faster)

2018/19
- Large crop, but rapid pace of exports prompted rumors of impending export ban
- Some tightening of phytosanitary controls as Russia responds to complaints from foreign buyers – not an outright export restriction
Global Wheat Trade Booming
Russia’s Market Share Surging; U.S. Share Falling
Impacts on U.S. Trade: Nigeria

July-June Imports

Million Metric Tons

<table>
<thead>
<tr>
<th>Year</th>
<th>United States</th>
<th>Russia</th>
<th>European Union</th>
<th>Australia</th>
<th>Canada</th>
<th>Others</th>
<th>Remaining Forecast</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000/01</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2001/02</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2002/03</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2003/04</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2004/05</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2005/06</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2006/07</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2007/08</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2008/09</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2009/10</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2010/11</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2011/12</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2012/13</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2013/14</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2014/15</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2015/16</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2016/17</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2017/18</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2018/19 YTD</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- United States
- Russia
- European Union
- Australia
- Canada
- Others
- Remaining Forecast
Impacts on U.S. Trade: Egypt

July-June Imports

- United States
- Russia
- European Union
- Others
- Remaining Forecast
Impacts on U.S. Trade: Mexico

July-June Imports

- United States
- Russia
- Canada
- Others
- Remaining Forecast
2017/18: Record Exports Supported by Strong Exports in Second Half of Year

Wheat Exports by Quarter

- Jul-Sep
- Oct-Dec
- Jan-Mar
- Apr-Jun

2013/14 through 2016/17 Average
2017/18
2018/19: Exports Off to Rapid Start; Second Half Expected to Slow

Wheat Exports by Quarter

- Jul-Sep
- Oct-Dec
- Jan-Mar
- Apr-Jun

- 2013/14 through 2016/17 Average
- 2017/18
- 2018/19 (Est.)
Russia’s Wheat Prices Starting to Become Less Competitive
Russia’s Wheat Prices Starting to Become Less Competitive

[Graph showing wheat prices over time, with different lines for Russia (Black Sea Milling), EU (France) Rouen Grade 1, and US HRW (11.5%) Gulf.]
Initial Expectations of 2019/20

United States: NASS recently announced U.S. winter wheat area as the lowest in over 100 years

Russia: expecting another large crop – winter grains area up

The current competitiveness of U.S. wheat is unlikely to hold into the next marketing year (unless weather intervenes)

More to come on this topic at the Grain and Feed Outlook session: 9:15am tomorrow

USDA global PSD data will be published in May
Long-term Projections: U.S. Share of Global Trade Trending Lower; Russia Steady
Thank you for your time

Andrew Sowell
USDA/Foreign Agricultural Service
andrew.sowell@usda.gov