

The Growing Importance of Russia in the Wheat Market

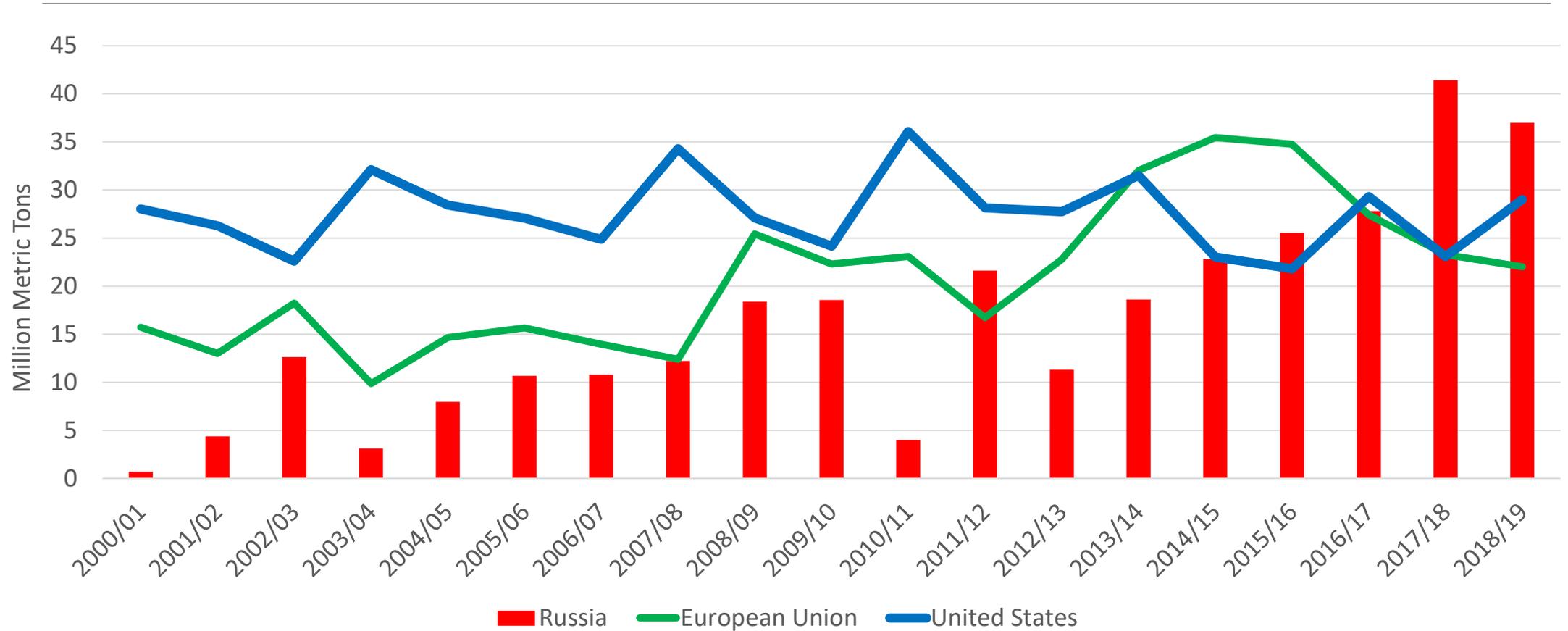
ANDREW SOWELL

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

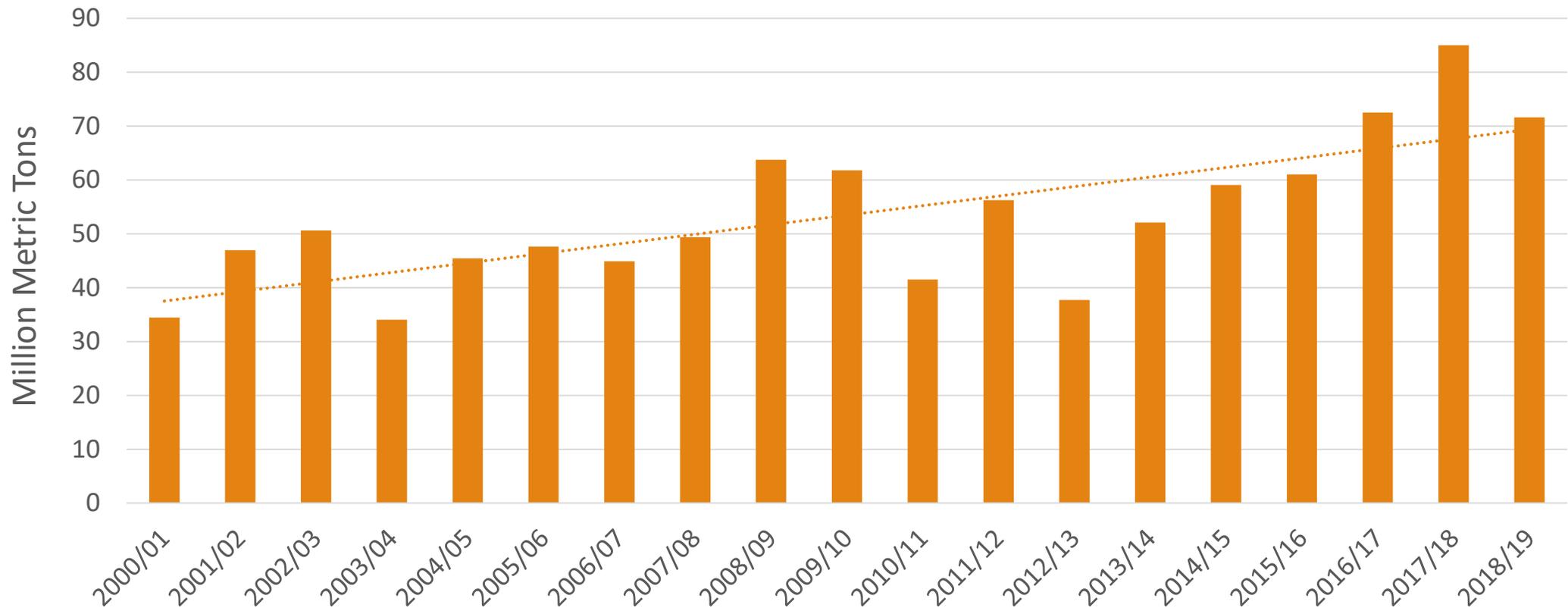
Improvements in port infrastructure

Expansion in global trade

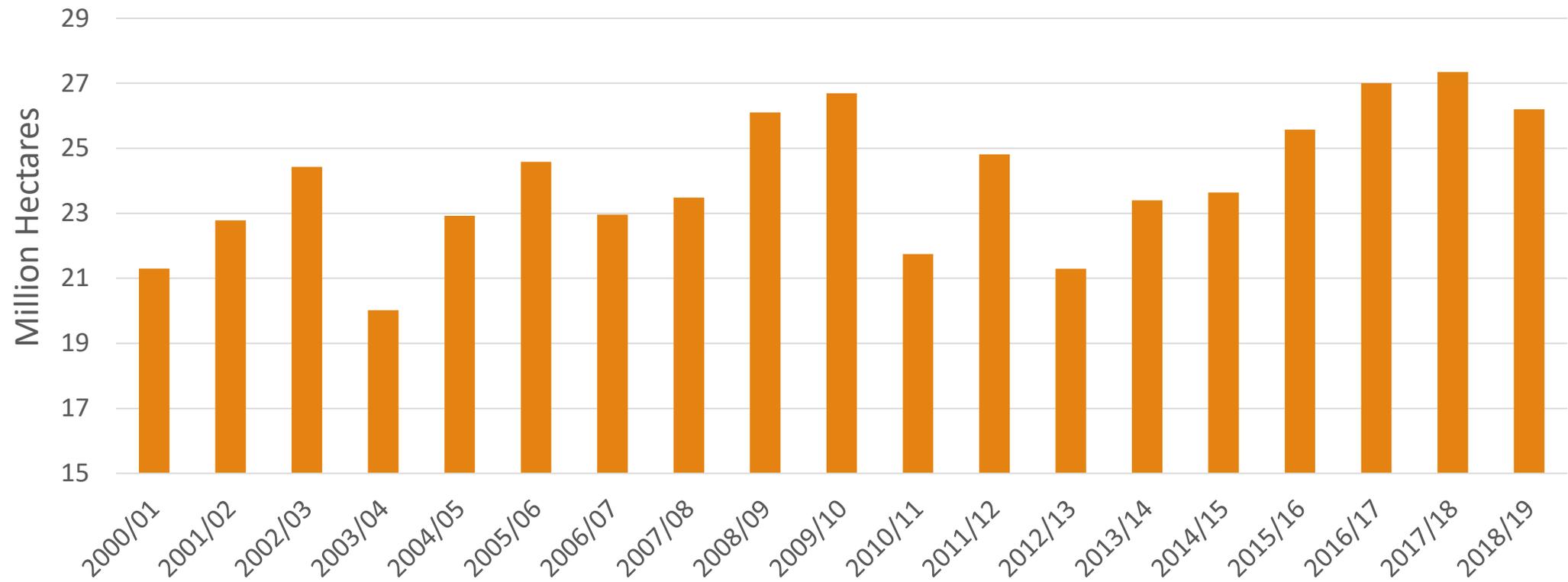
Competitive pricing

- Major supplier to nearby markets - Middle East and Africa
- Growing market in more distant countries as well - Latin America and Asia

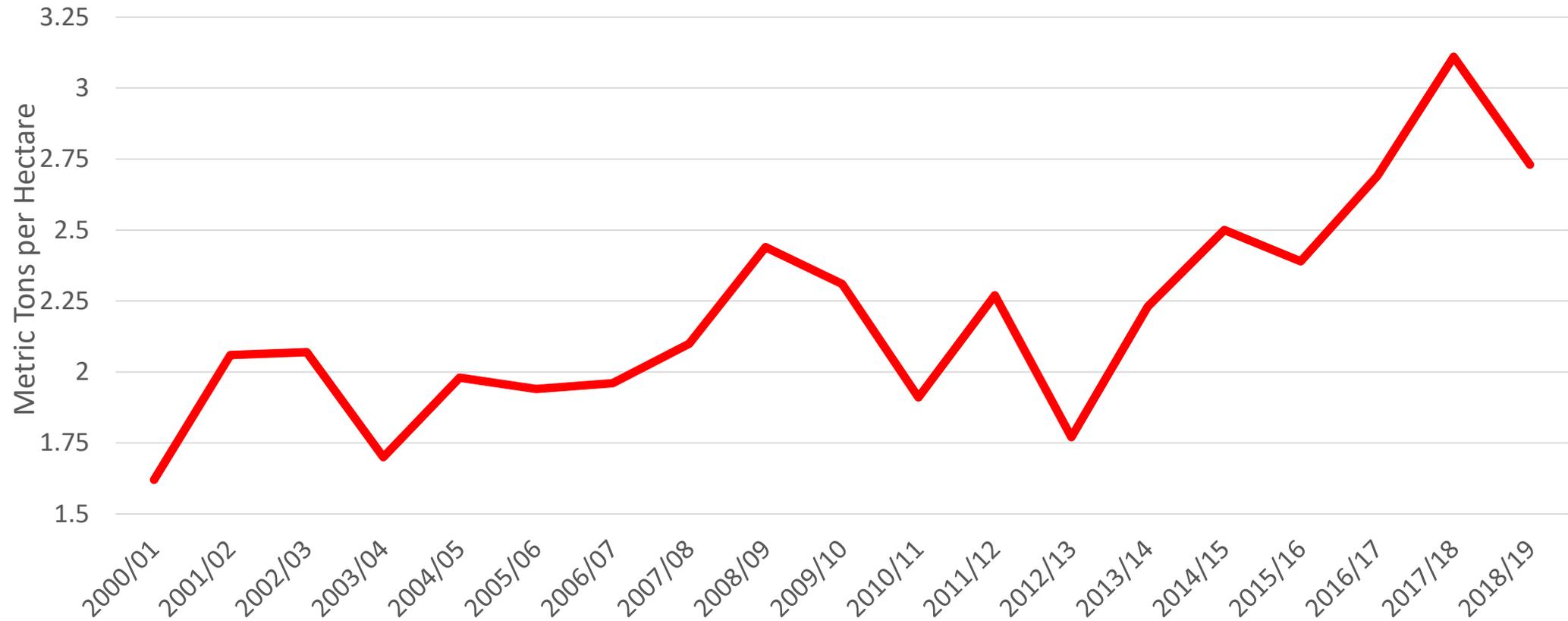
Russian Wheat Production Nearly Doubled Since 2000/01



Wheat Area Harvested Rising



Yield Rising Even Faster



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

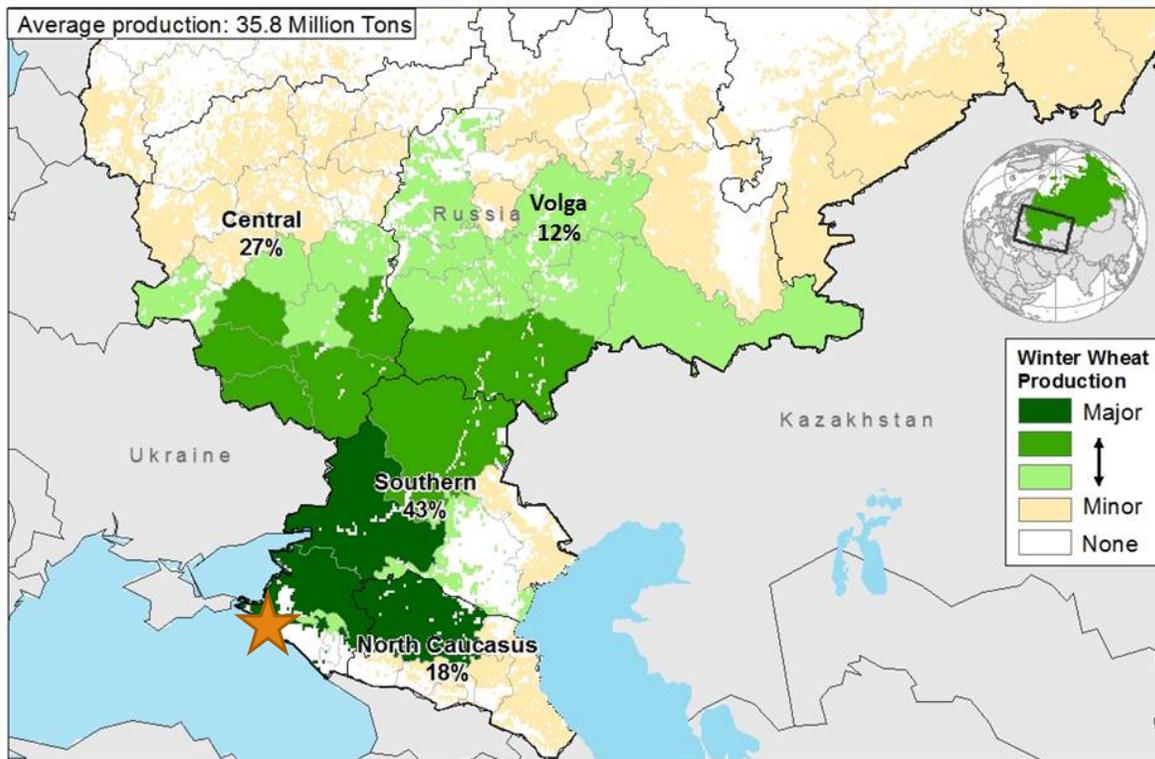
Storage challenges

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- Newly constructed storage is small relative to that which is outdated or insufficient

Ports: insufficient port depth

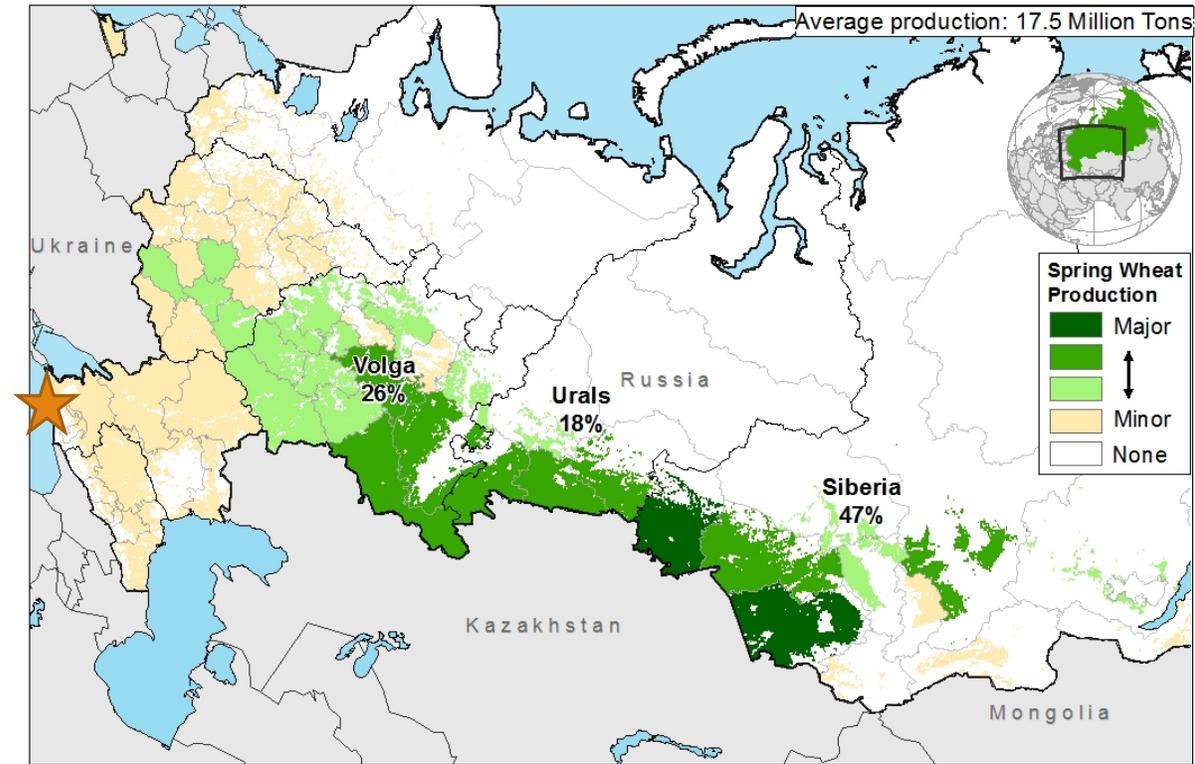
Further Challenge: Distance to Port

RUSSIA: Winter Wheat Production



Data Source: Rosstat, Average Crop Production 2011-2015; IIASA and FAO (2008) 0 115 230 460 Kilometers Foreign Agriculture Service Office of Global Analysis USDA IPA Division

RUSSIA: Spring Wheat Production



Data Source: Rosstat, Average Crop Production 2011-2015; IIASA and FAO (2008) 0 205 410 820 Kilometers Foreign Agriculture Service Office of Global Analysis USDA IPA Division

Russia Becoming More Consistent Supplier

History of restricting exports

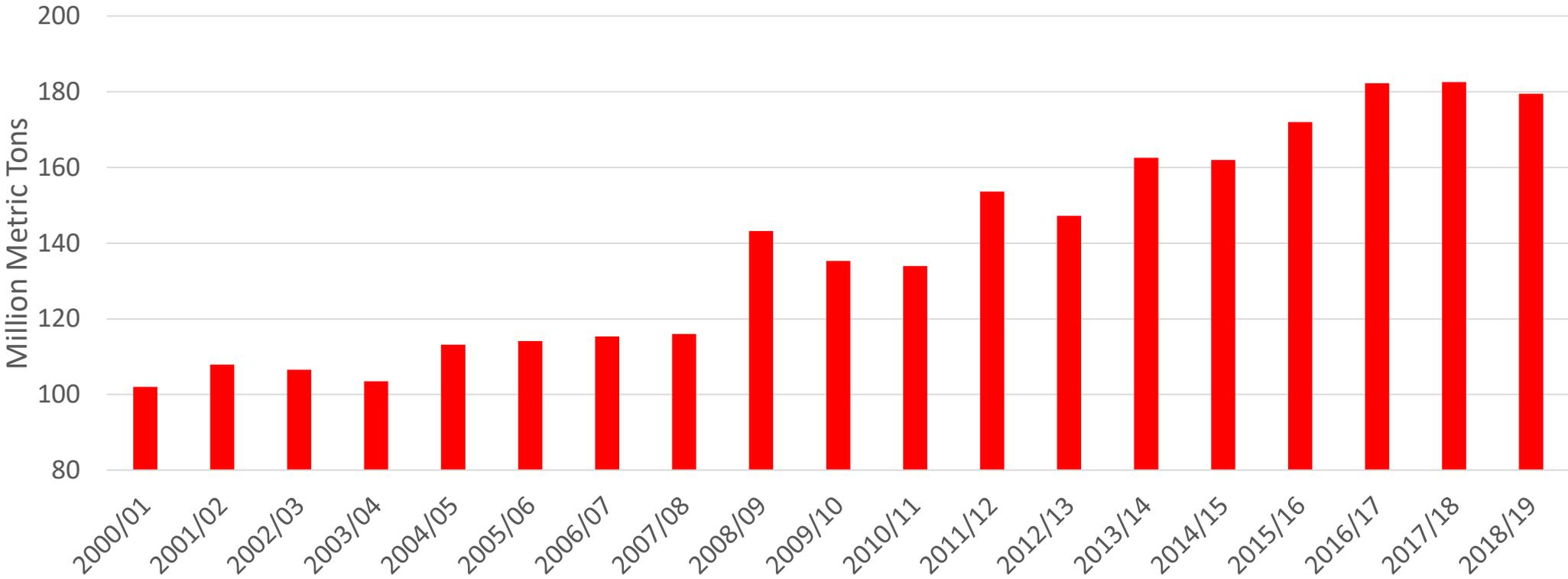
- 2010/11: Russian wheat export ban in effect from August 2010 through June 2011
- 2014/15: Export duty in place February-May 2015 – strengthened phytosanitary controls and slower rail service also reported

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

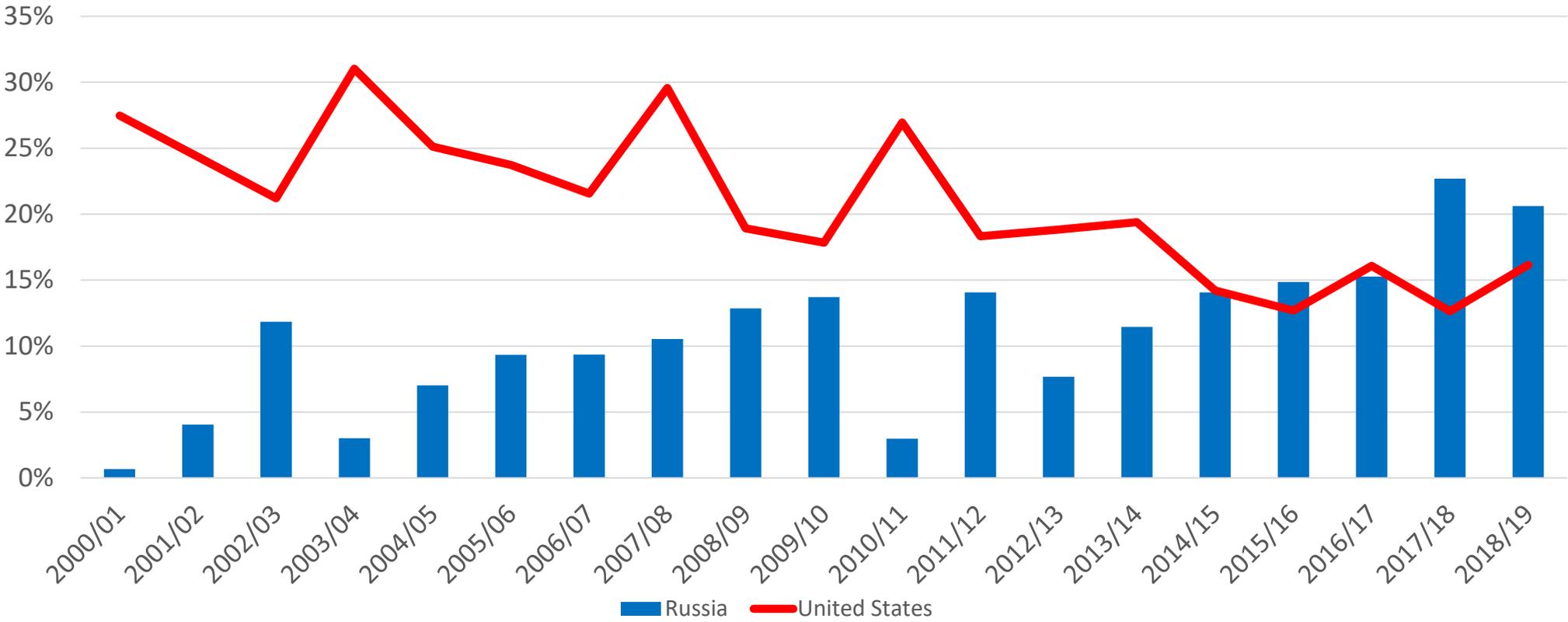
2018/19

- 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

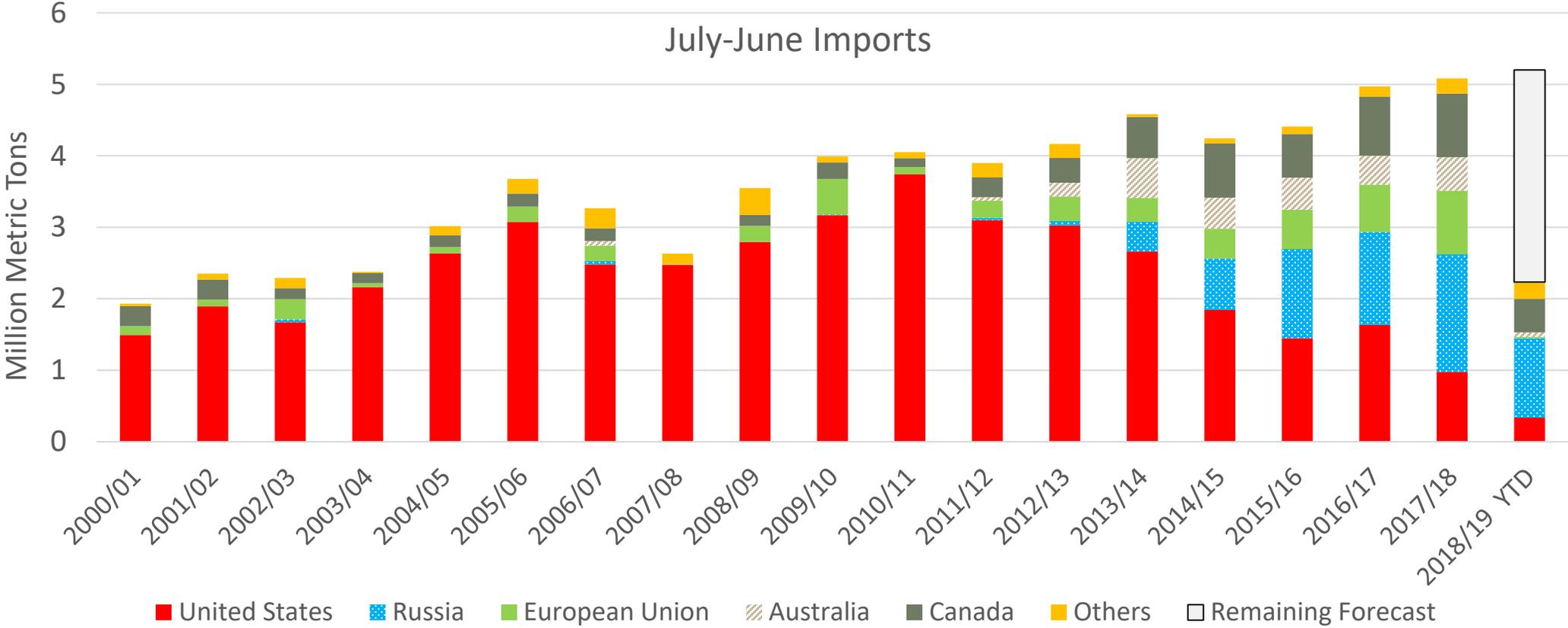
Global Wheat Trade Booming



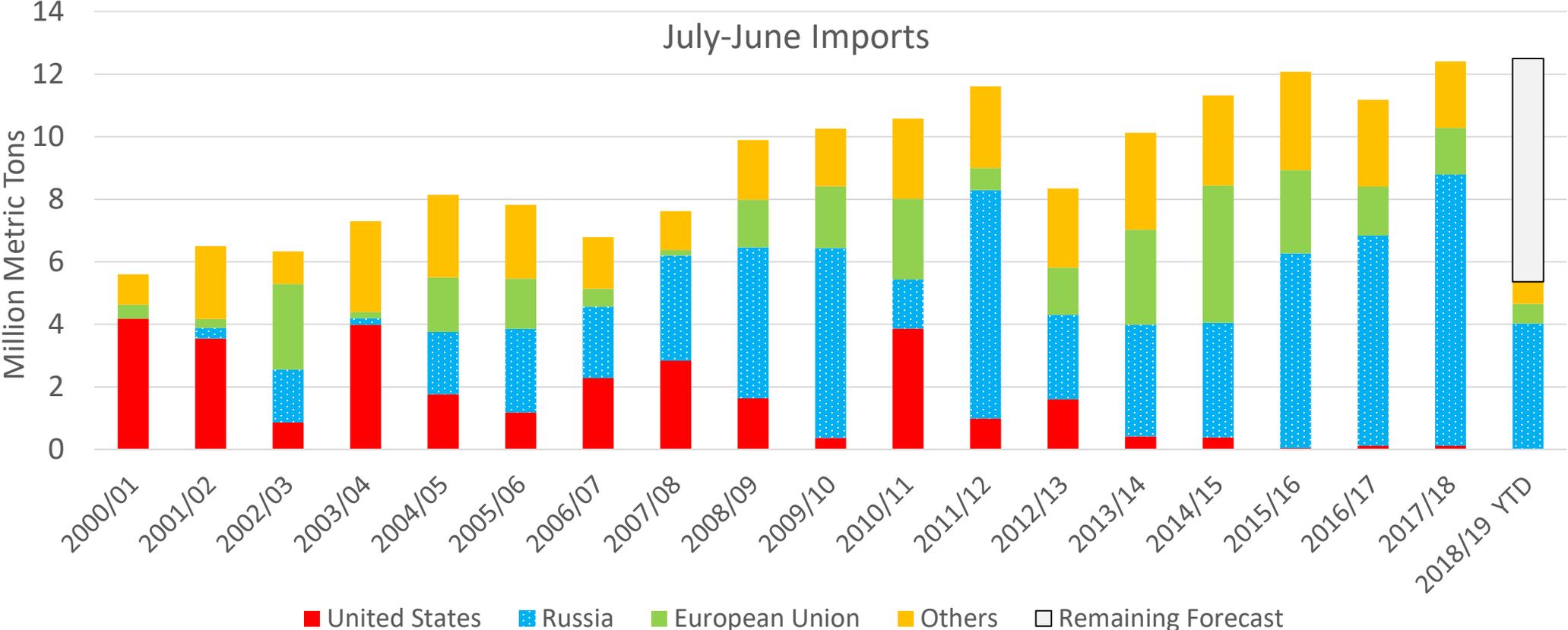
Russia's Market Share Surging; U.S. Share Falling



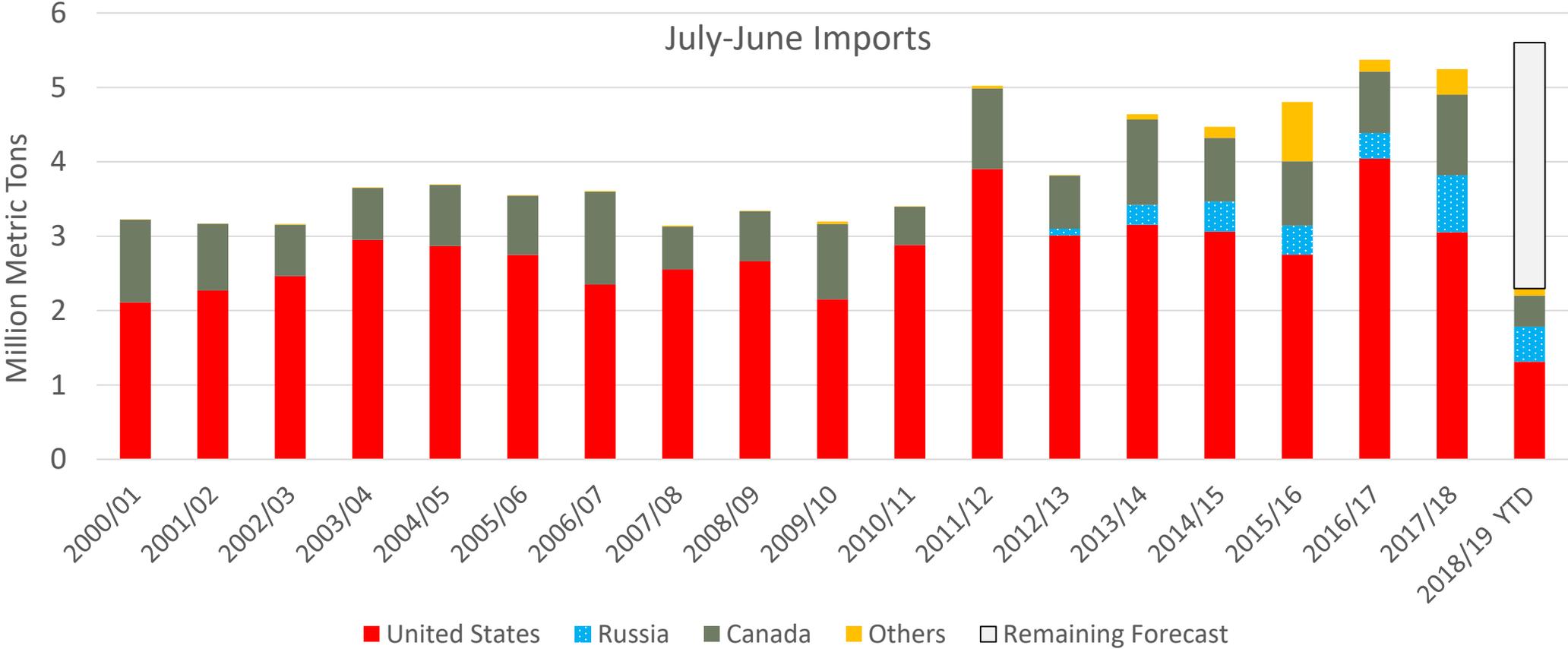
Impacts on U.S. Trade: Nigeria



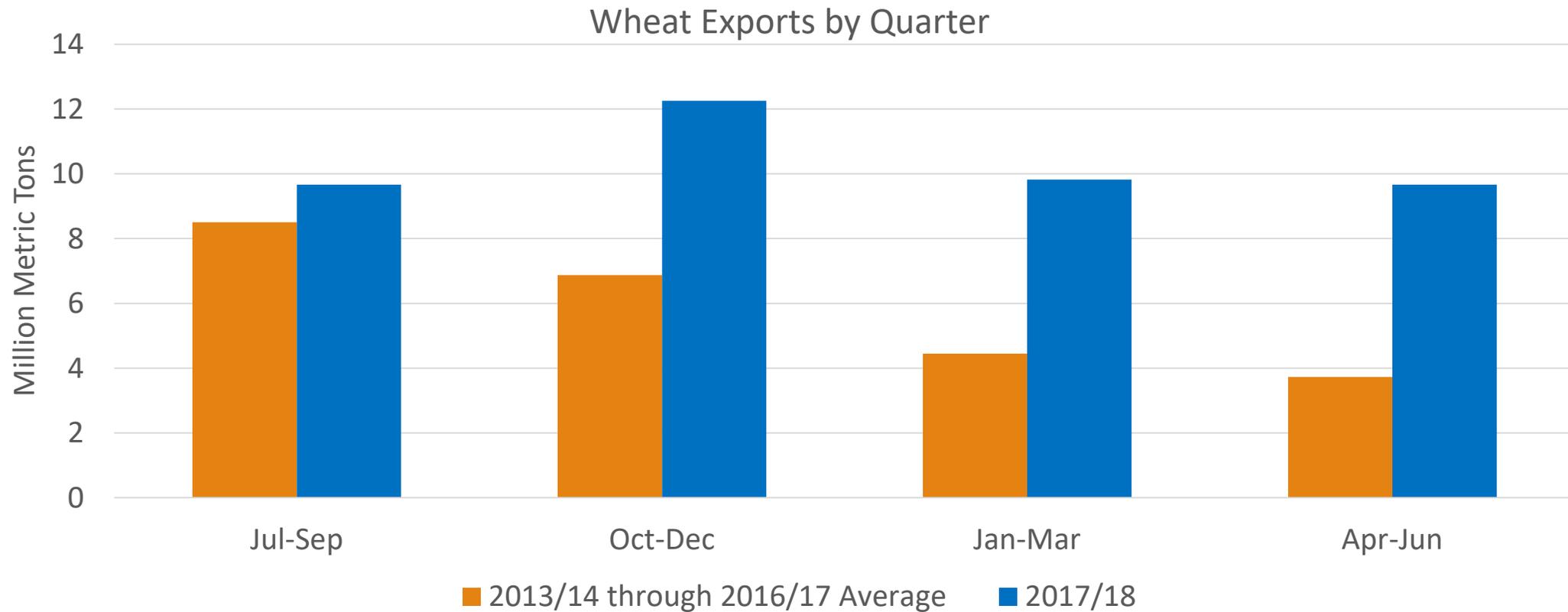
Impacts on U.S. Trade: Egypt



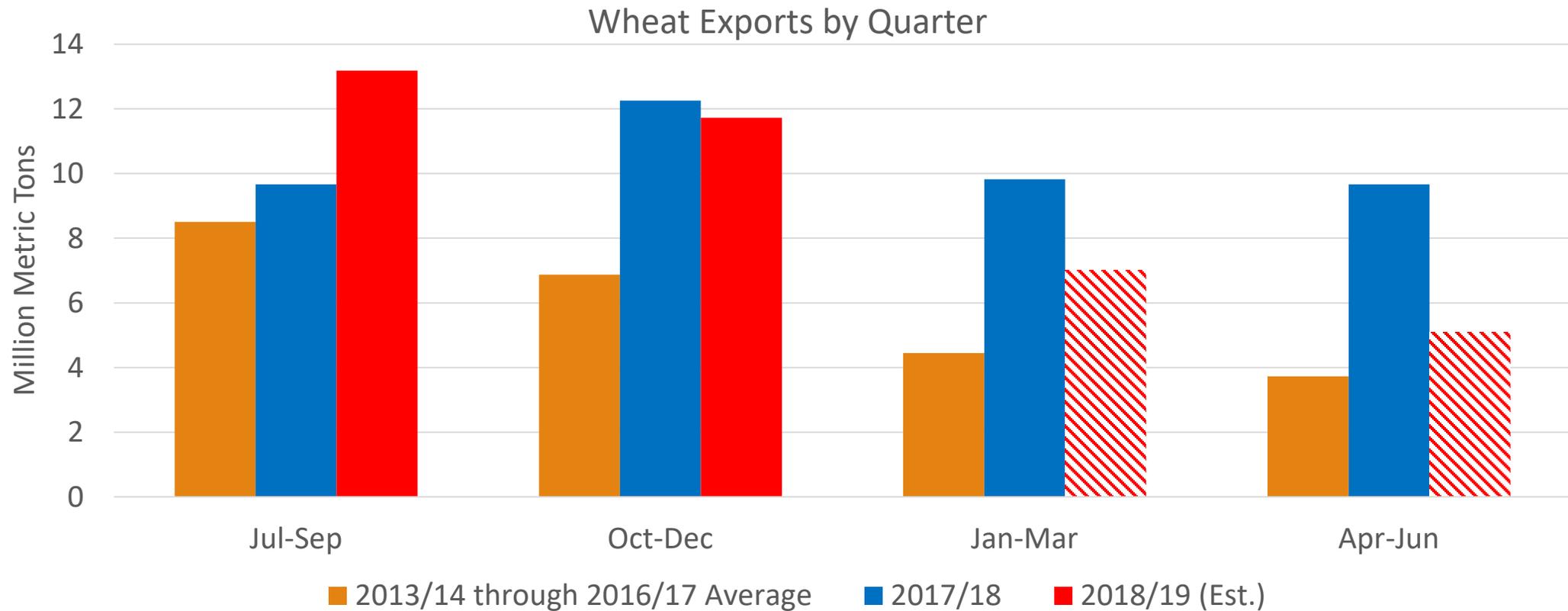
Impacts on U.S. Trade: Mexico



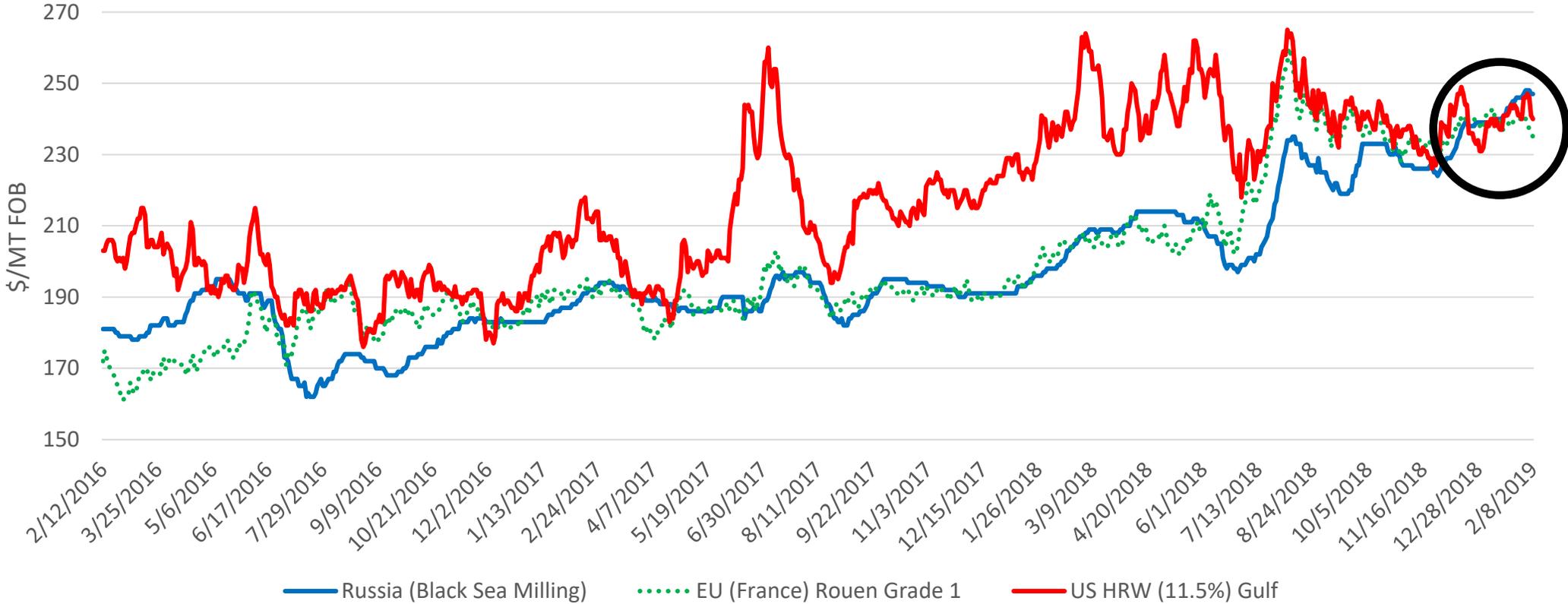
2017/18: Record Exports Supported by Strong Exports in Second Half of Year



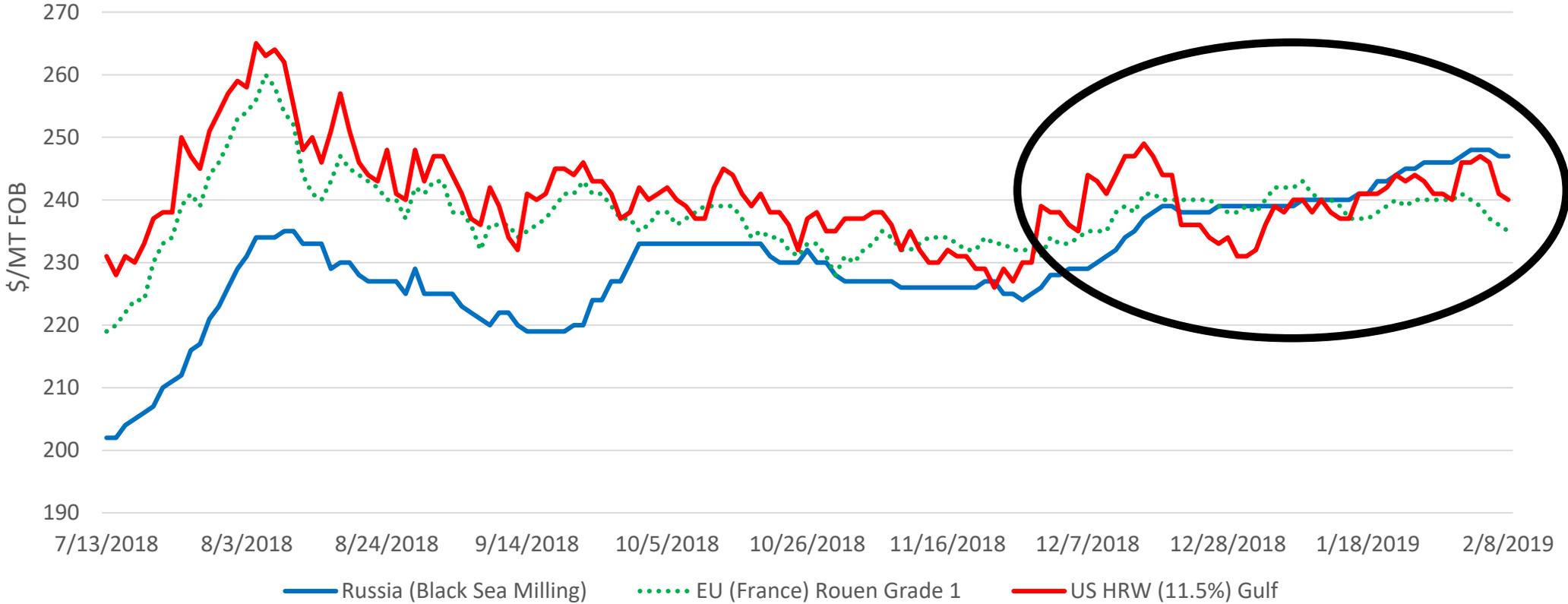
2018/19: Exports Off to Rapid Start; Second Half Expected to Slow



Russia's Wheat Prices Starting to Become Less Competitive



Russia's Wheat Prices Starting to Become Less Competitive



Initial Expectations of 2019/20

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

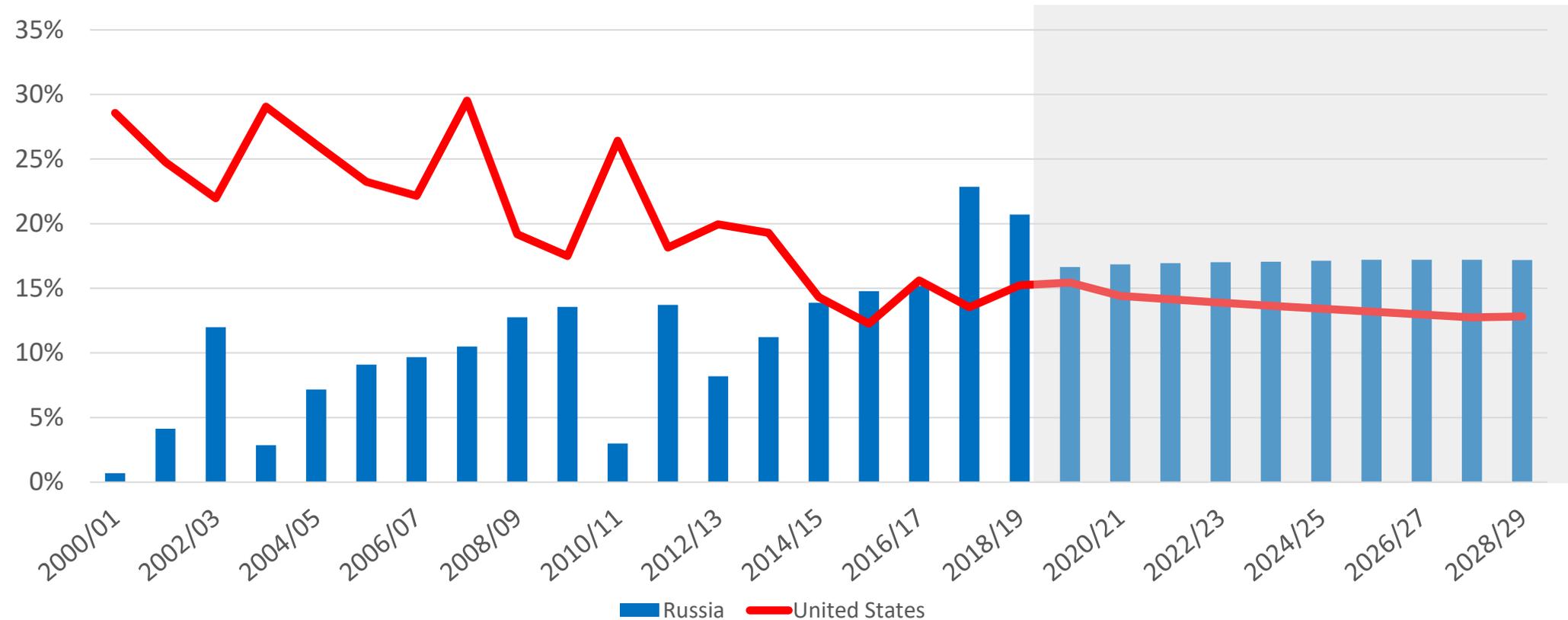
Russia: expecting another large crop – winter grains area up

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