



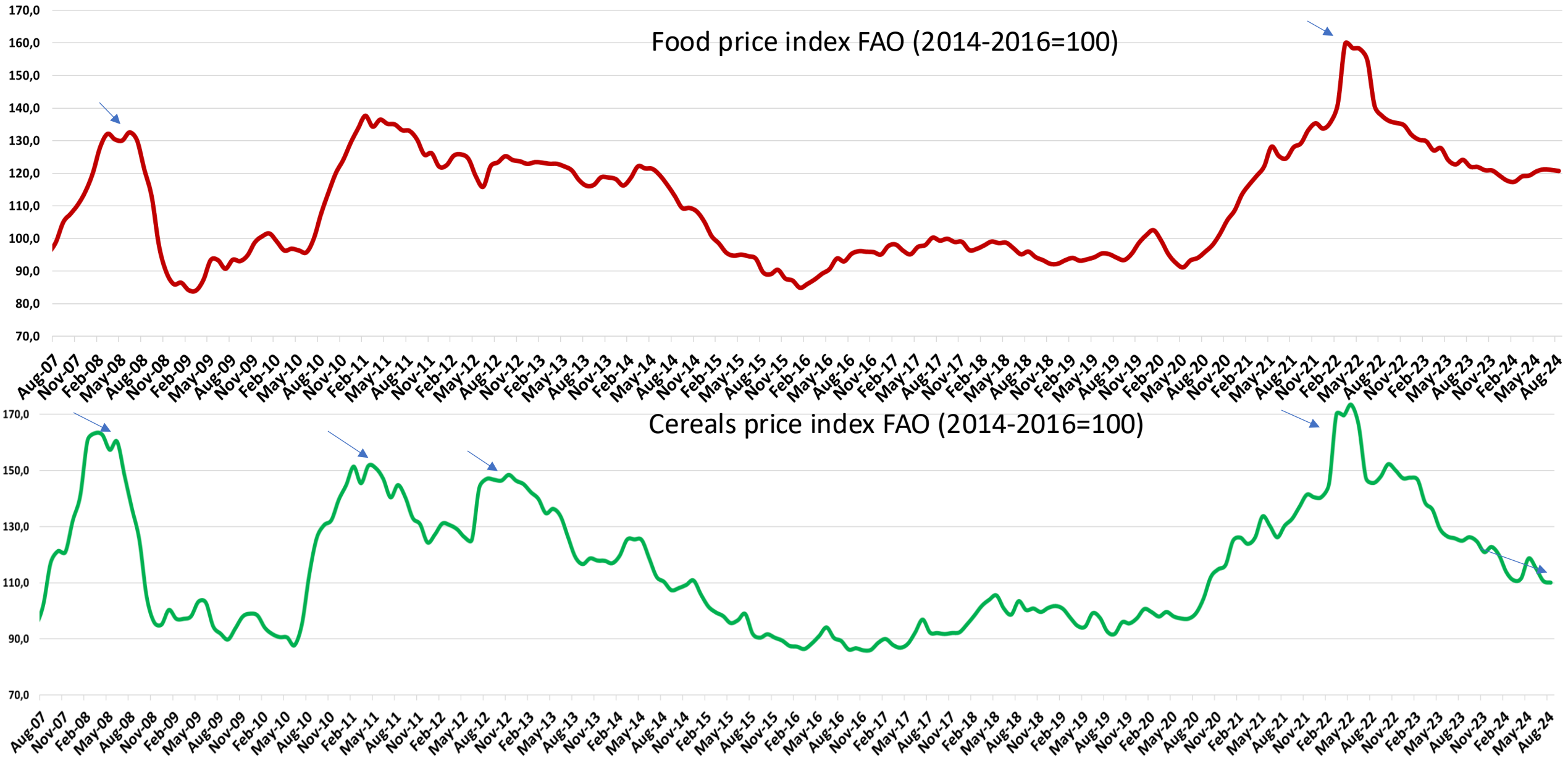
Dmitri Rylko
General Director
And the team of
IKAR LLC

*Russian, Black Sea and world wheat markets:
when/if the weakness ends*

Baku, September 24, 2024

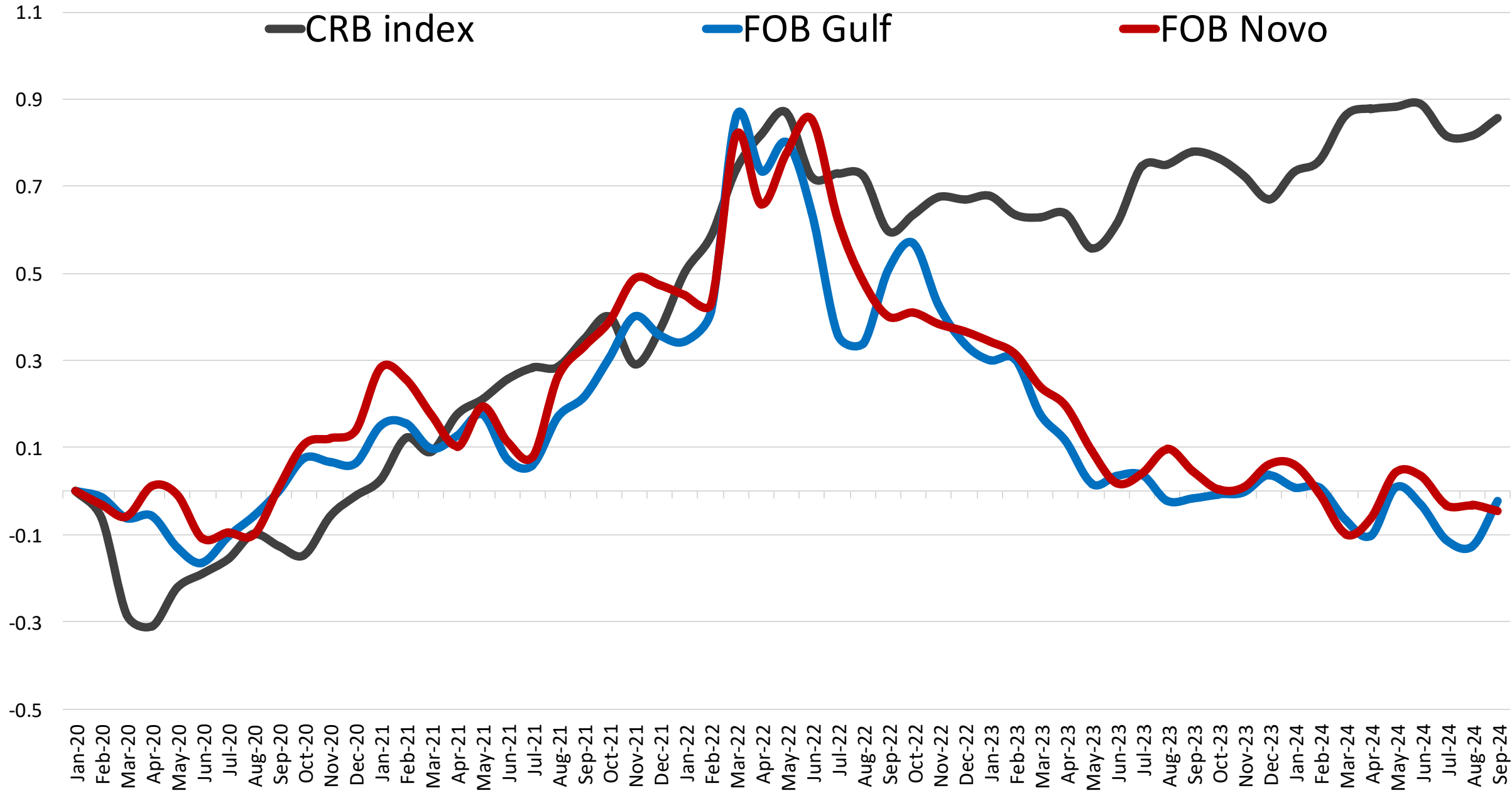


FAO food and cereals price indexes





CRB index and wheat FOB prices





Why world wheat prices remain so weak?

There are "*21 explanations*" (including stupid funds behavior, record high Rom+Bul wheat crop, grown crop expectations from Canada, and Australia, closed Turkiye, devalued Egypt, (very!) sleepy China, and so on, so on...)

Let me highlight **three** factors coming from Russia, the world wheat superpower...

- 1. Expectation of export quota**, to be broken down per exporters pro-rata, and to be in force from February 15 to June 30 (or earlier?)



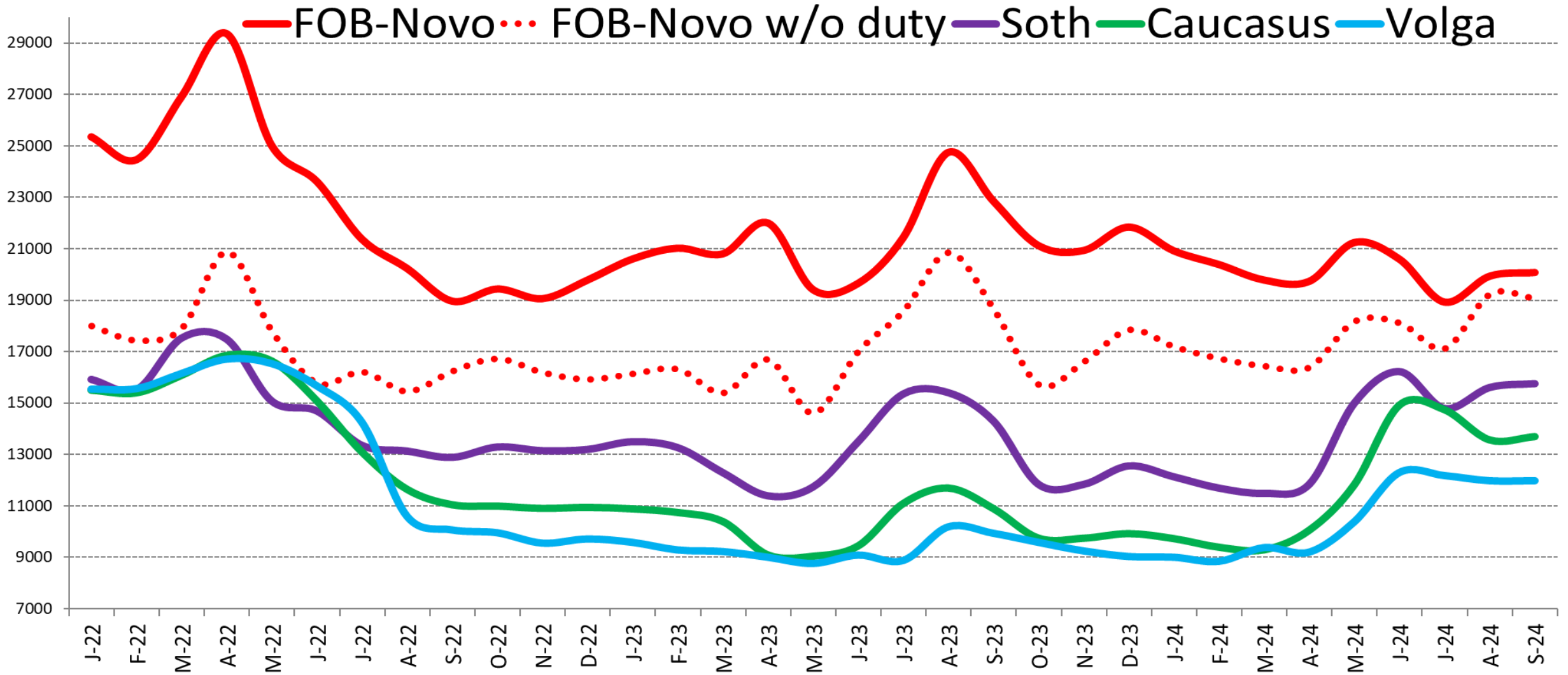
Why world wheat prices are so weak?

Explanations from Russia

1. Expectation of export quota, to be broken down pro-rata, and to be in force from February 15 to June 30 (or earlier?)
2. Specific micro and macro economic regime/situation



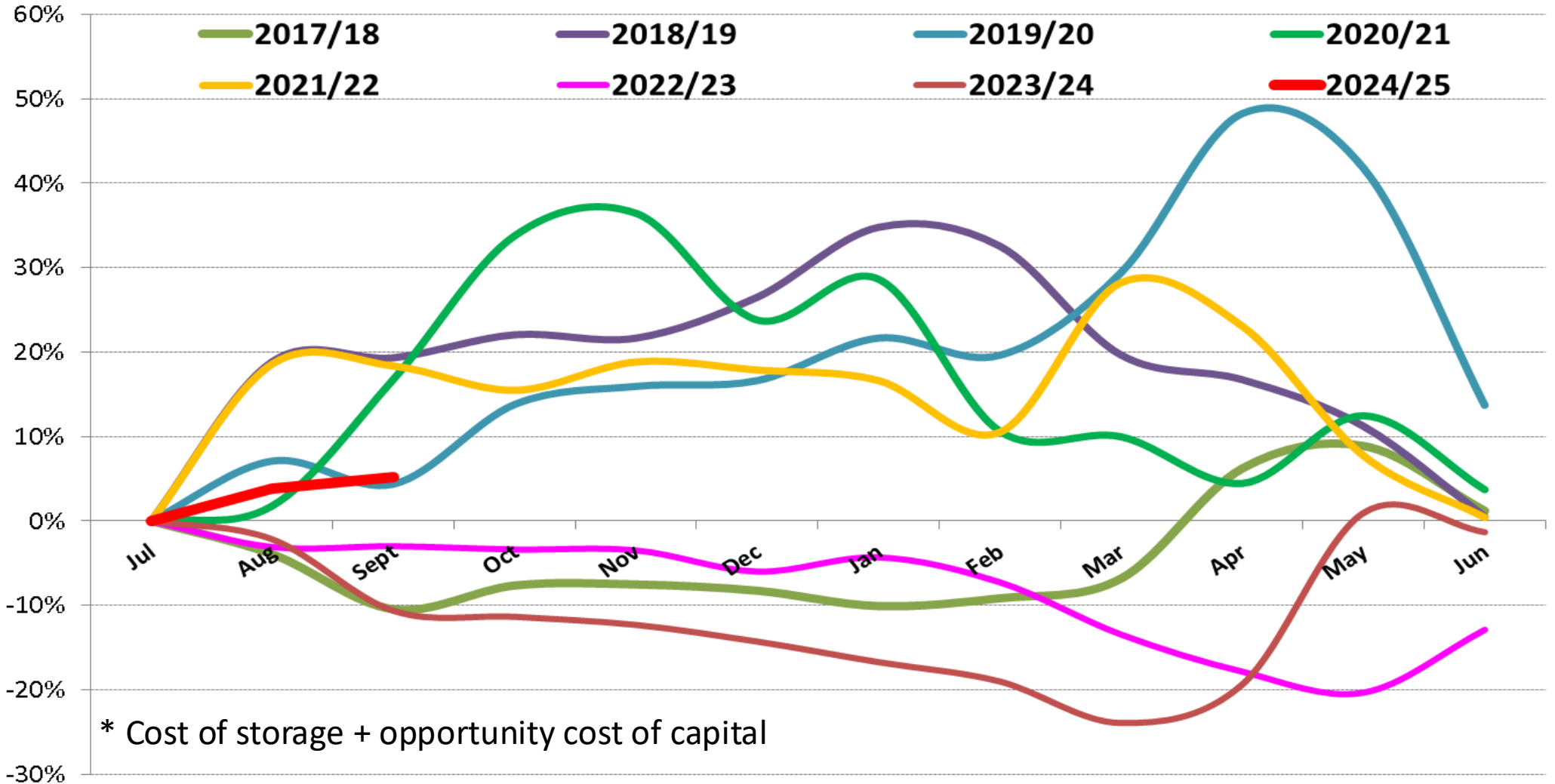
Russian wheat FOB w/o export duty and local market prices



Floating export duties in combination with export quotas tend to cut/evaporate traditional grain storage premiums



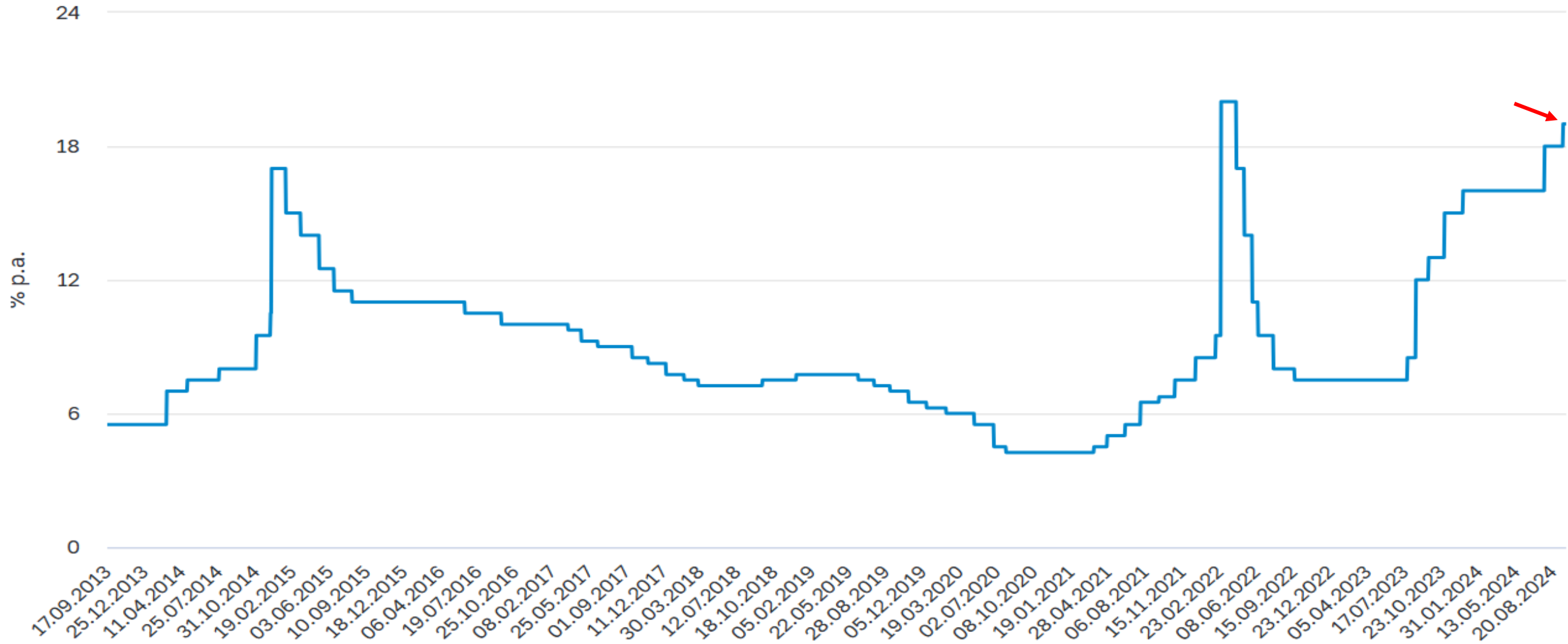
Wheat present value, case of South*



Introduction of floating export duties in combination with export quotas support the price stabilization of domestic grain markets, but discourage grain storage: ceteris paribus, the longer you store, the higher are your losses.



The dynamics of Rus Central bank key rate



Instead of (generally unprofitable) storage farmer may sell and put money in bank deposit per 16-20% annual rate (with official inflation of 7.5-9.5%)...



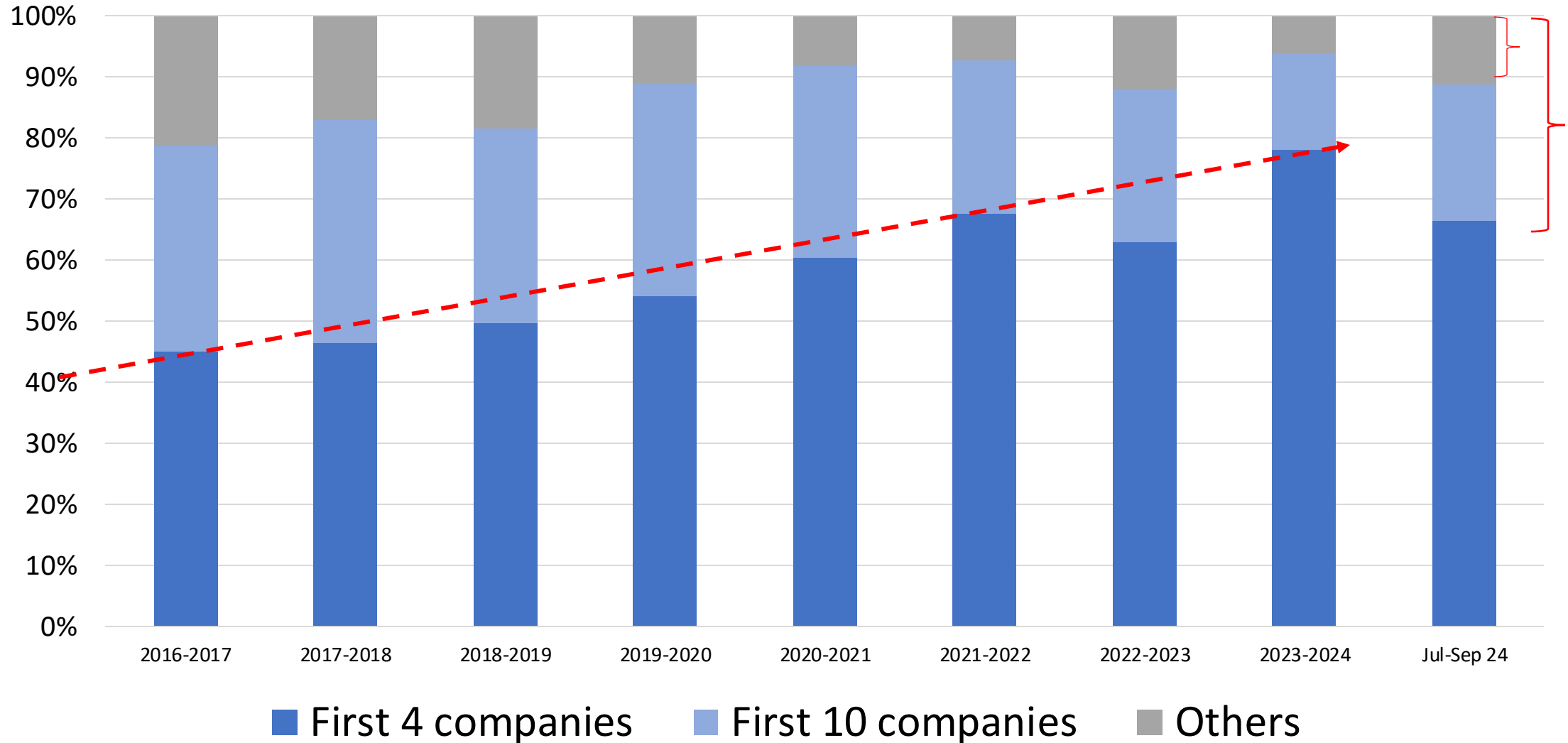
Why world wheat prices are so weak?

Explanations from Russia

1. Expectation of export quota, to be broken down pro-rata, and to be in force from February 15 to June 30 (or earlier?)
2. Specific micro and macro economic regime/situation
3. Most recent changes in domestic export industry landscape

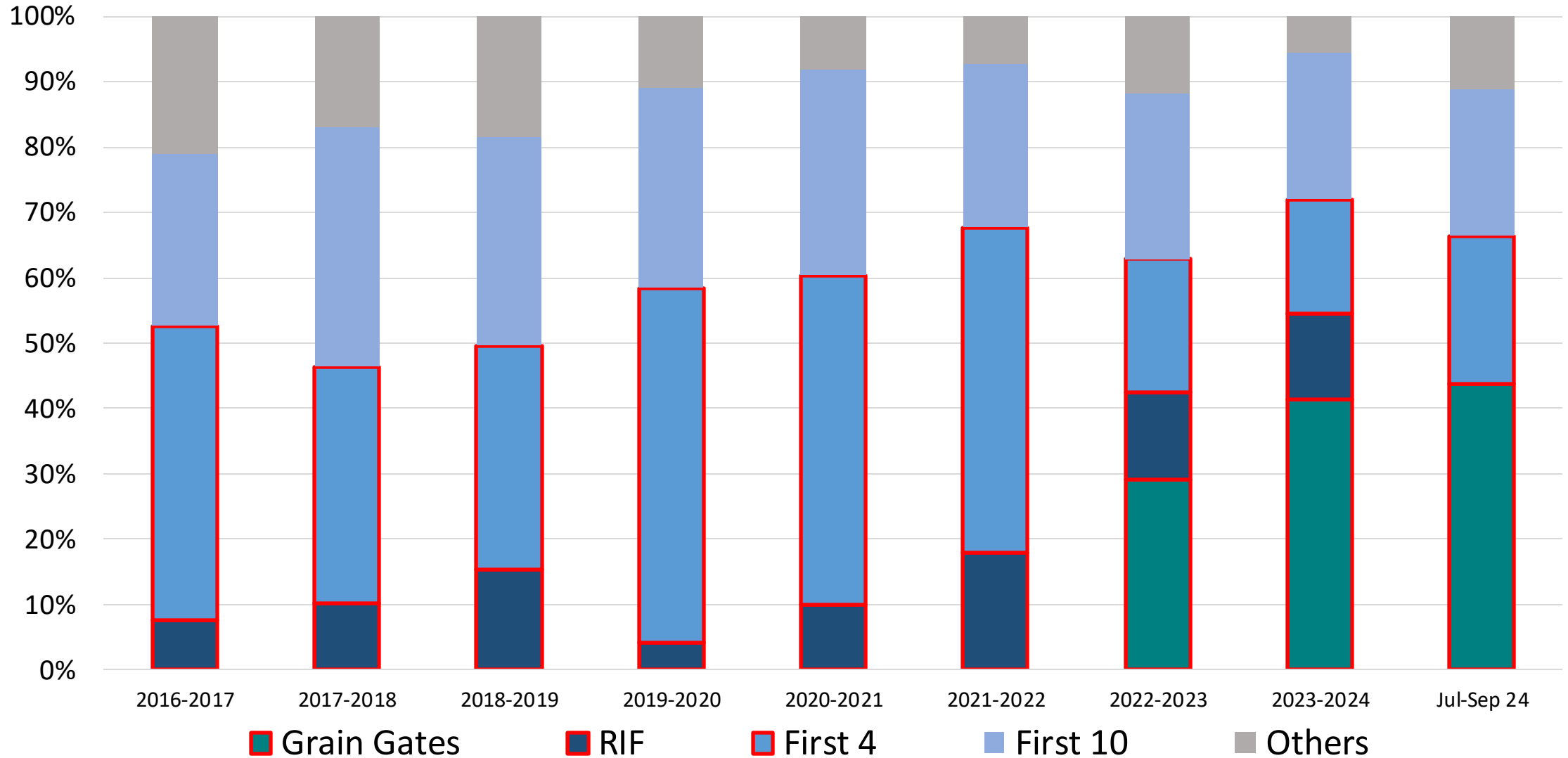


The market concentration of exporters from domestic Black Sea terminals, % (1)





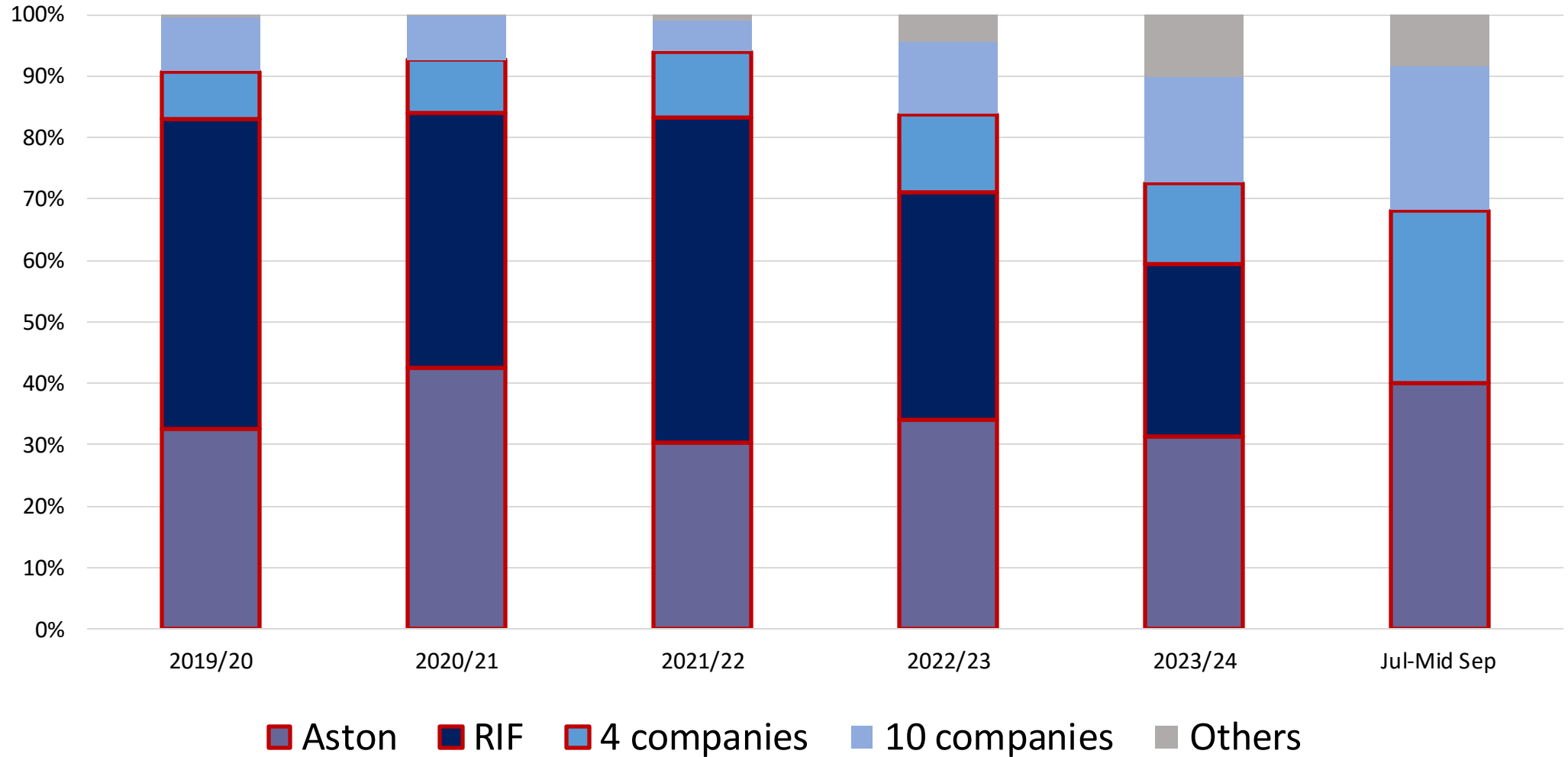
The market concentration of exporters from domestic Black Sea terminals, % (2)



Disappearance of RIF is accompanied by emergence of a large group of "new exporters", which managed to capture RIF volumes. But instead of 15 there are more than 20 competing companies now...



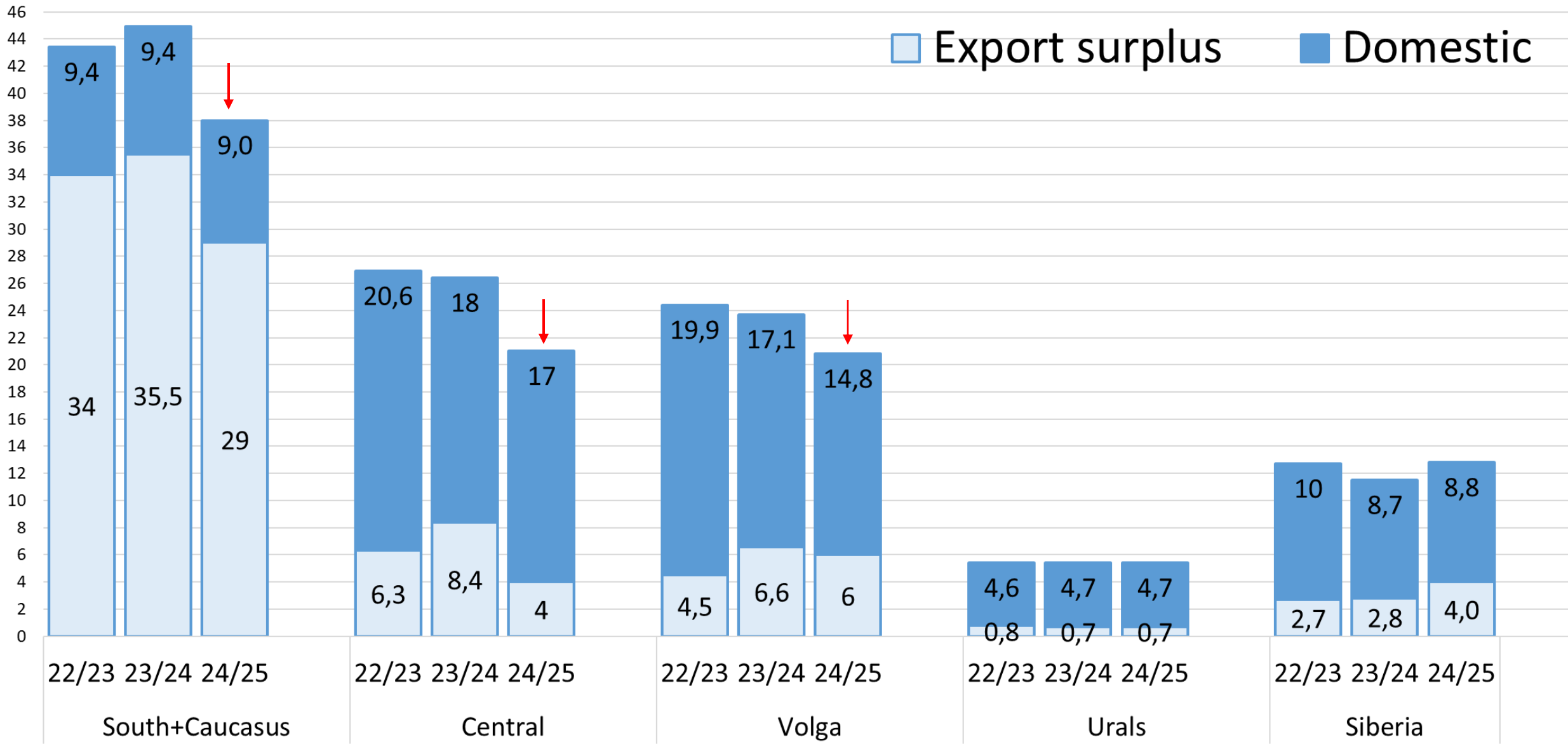
Port Kavkaz anchor transshipment: company market shares, %



In 2024/25 the competition on Port Kavkaz has got even tougher...

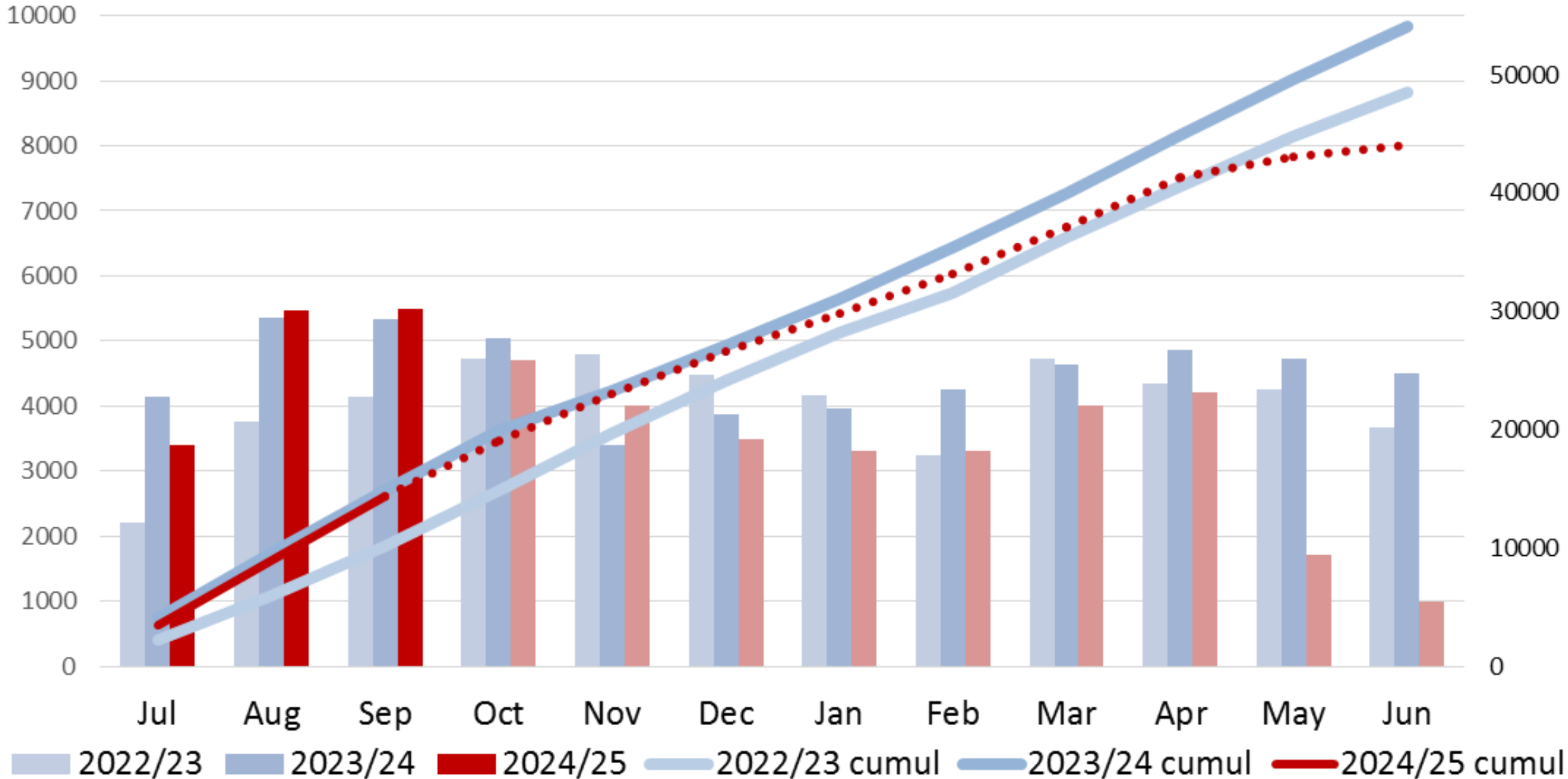


Total estimated “start-up” wheat supply and export surplus , MMT



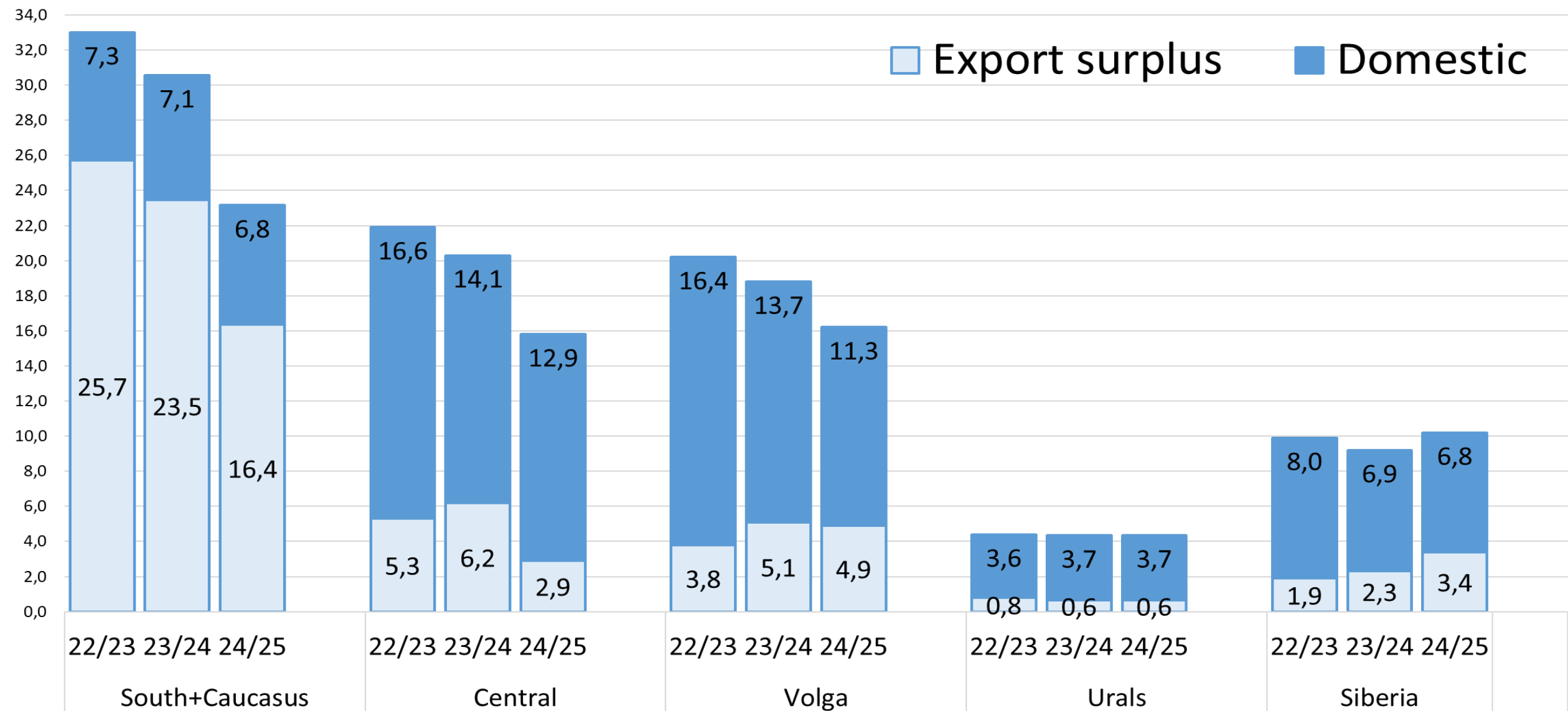


Russian wheat monthly export, MMT





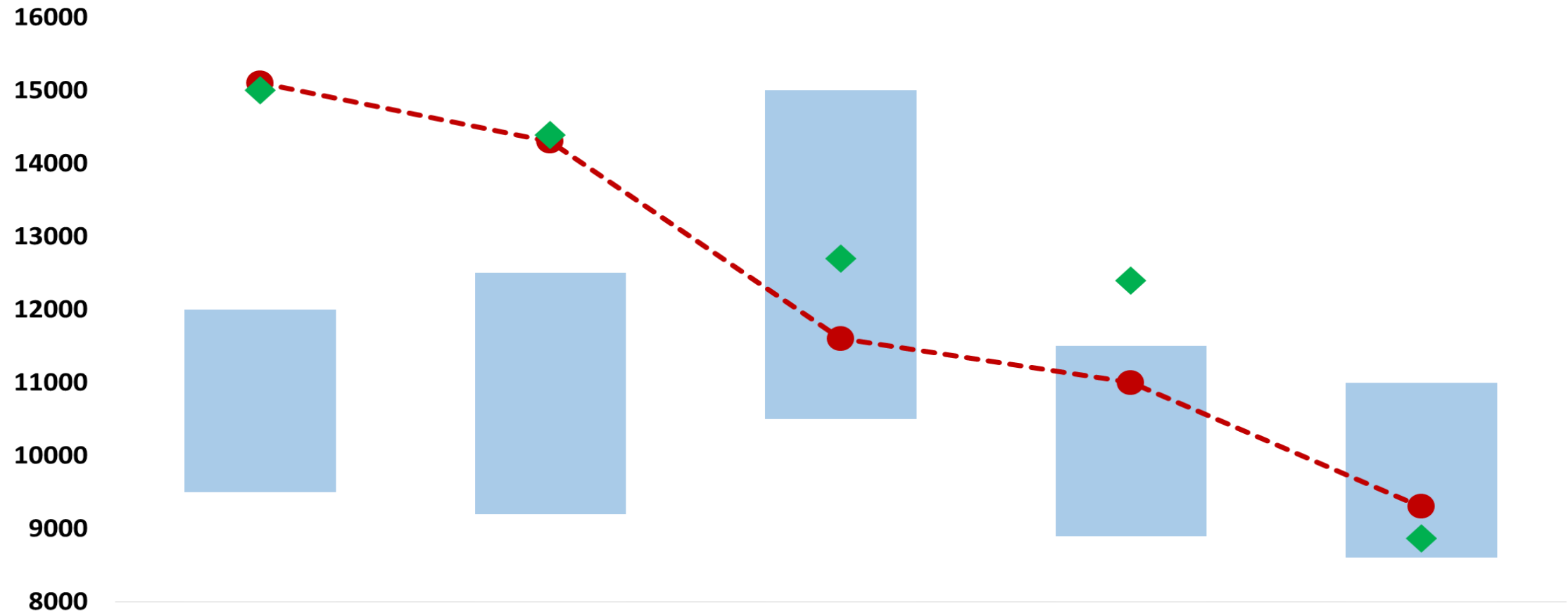
Estimated wheat supply and export surplus as of October 1, MMT



With such an export rate by the end of calendar year South Russian wheat/all grain supplies will be very tight...



Wheat export netback and current market EX-farm prices, rub/mt



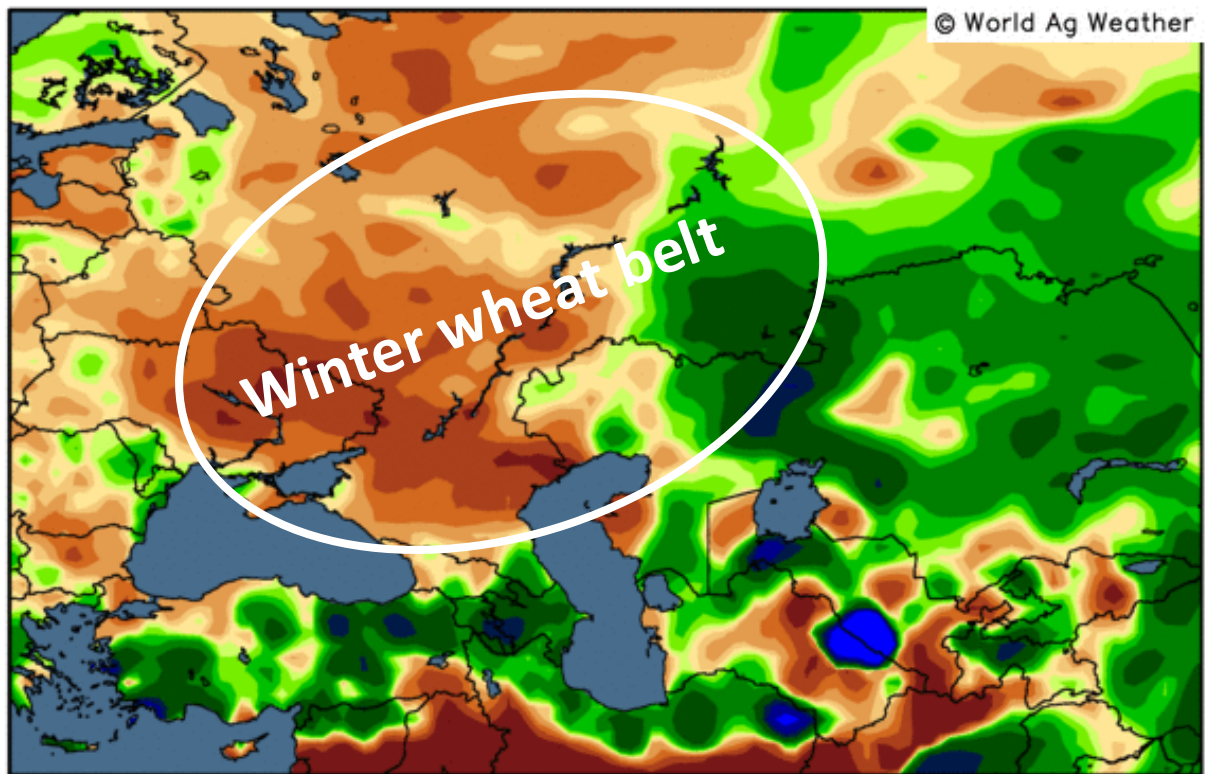
■ COP min/max **● export netback 24.09.24** **◆ market 24.09.24**

No cheap wheat/grains is/to be available from the rest of Russia...

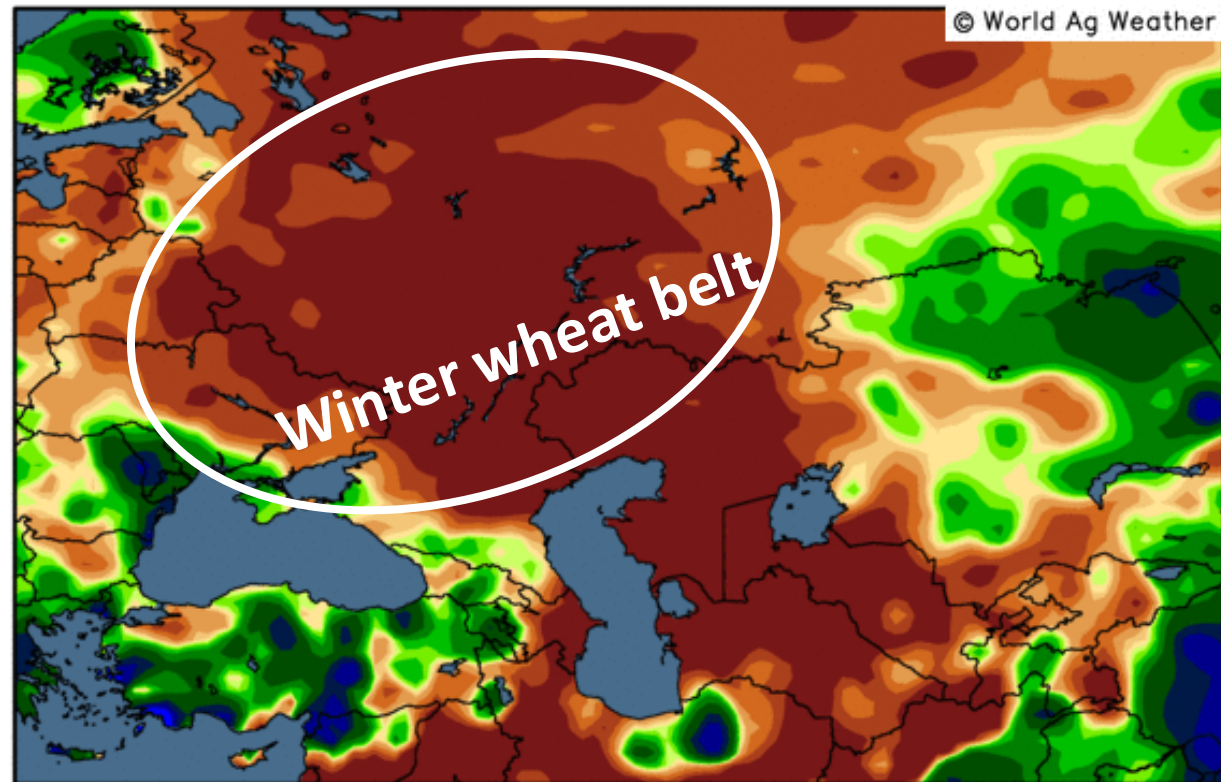


Cumulative ppt to normal, %

90-day Precipitation Analysis
Percent of normal through 19 Sep 2024



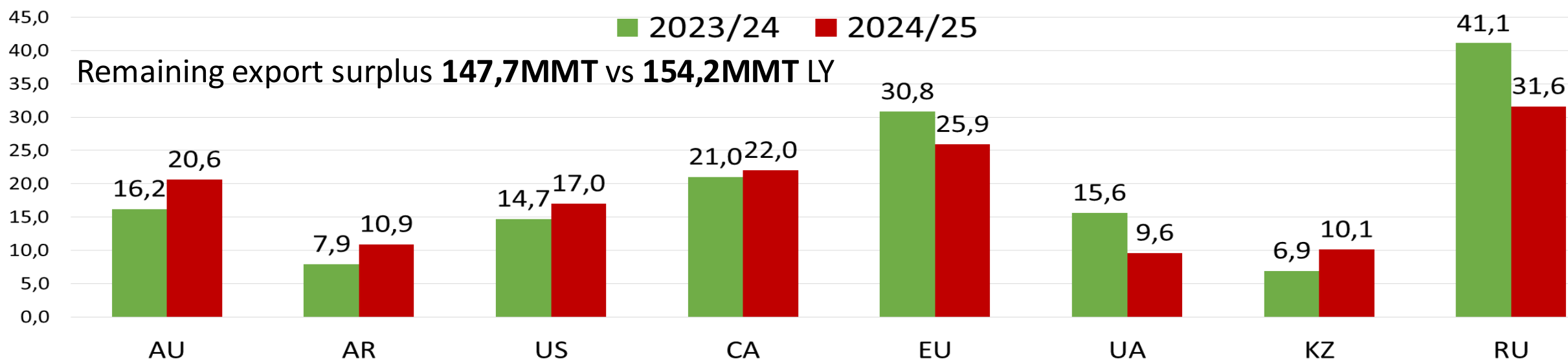
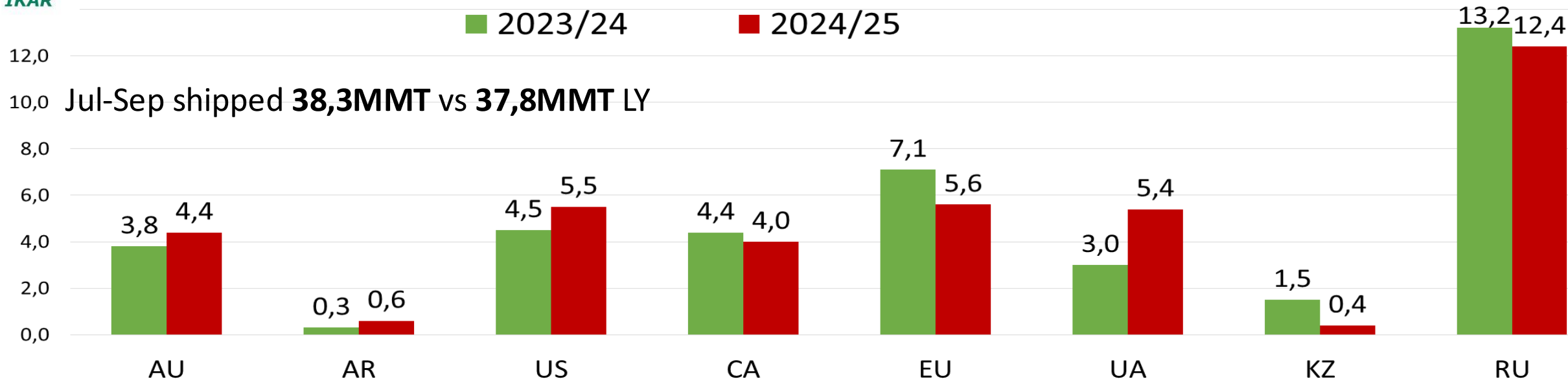
30-day Precipitation Analysis
Percent of normal through 19 Sep 2024



Another area of concern: persistent dryness in Western Russia and Ukraine



TOP-8 global wheat exporters shipped to remaining, MMT



Global wheat supplies for the rest of the season look as rather tight either... although all later incremental (Australia, Argentina, Canada, Kaz, W. Siberia) look as positive...

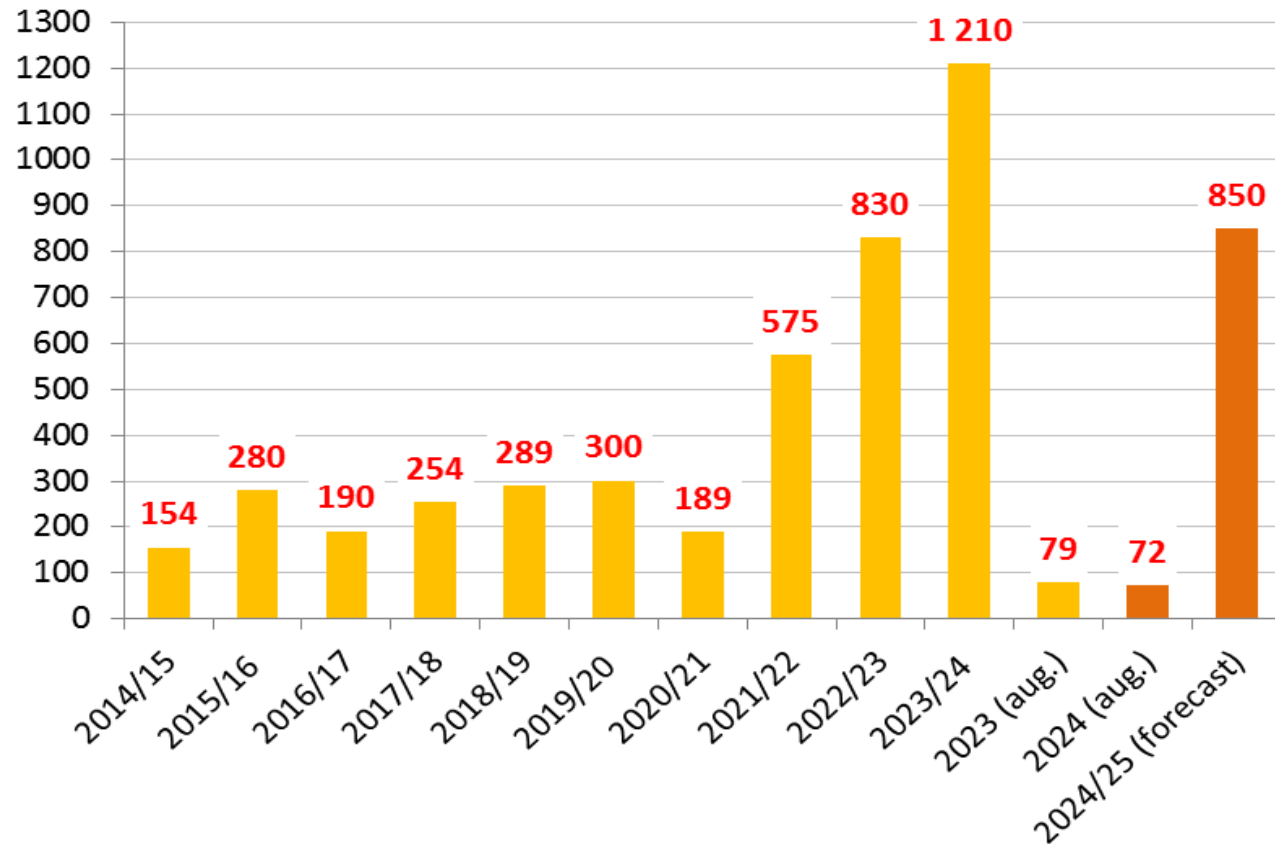


Thus, we see and expect regional wheat/grains prices elevation right from November 2024, although, most probably, gradual one, as wheat has strong “cap” of late supplies (Can, Argi, Aus, Kaz, W.Siberia), and demand rationing from key importing nations...

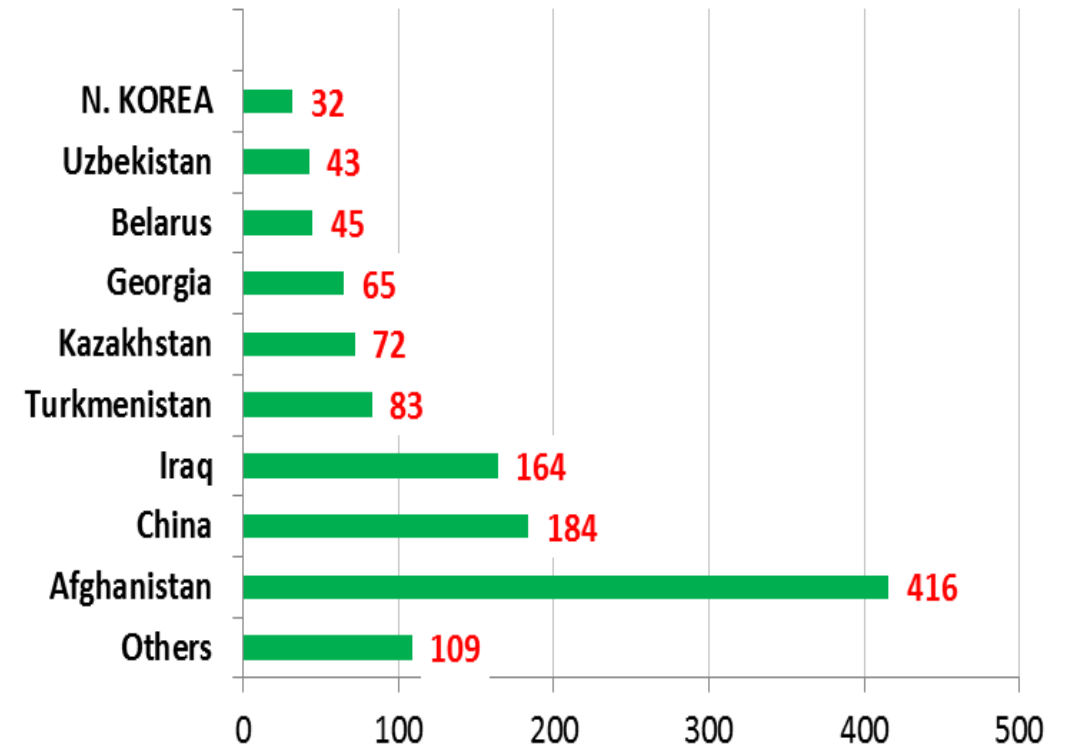


(Estimated) Wheat flour export from Russia, TMT

Dynamics of wheat flour export

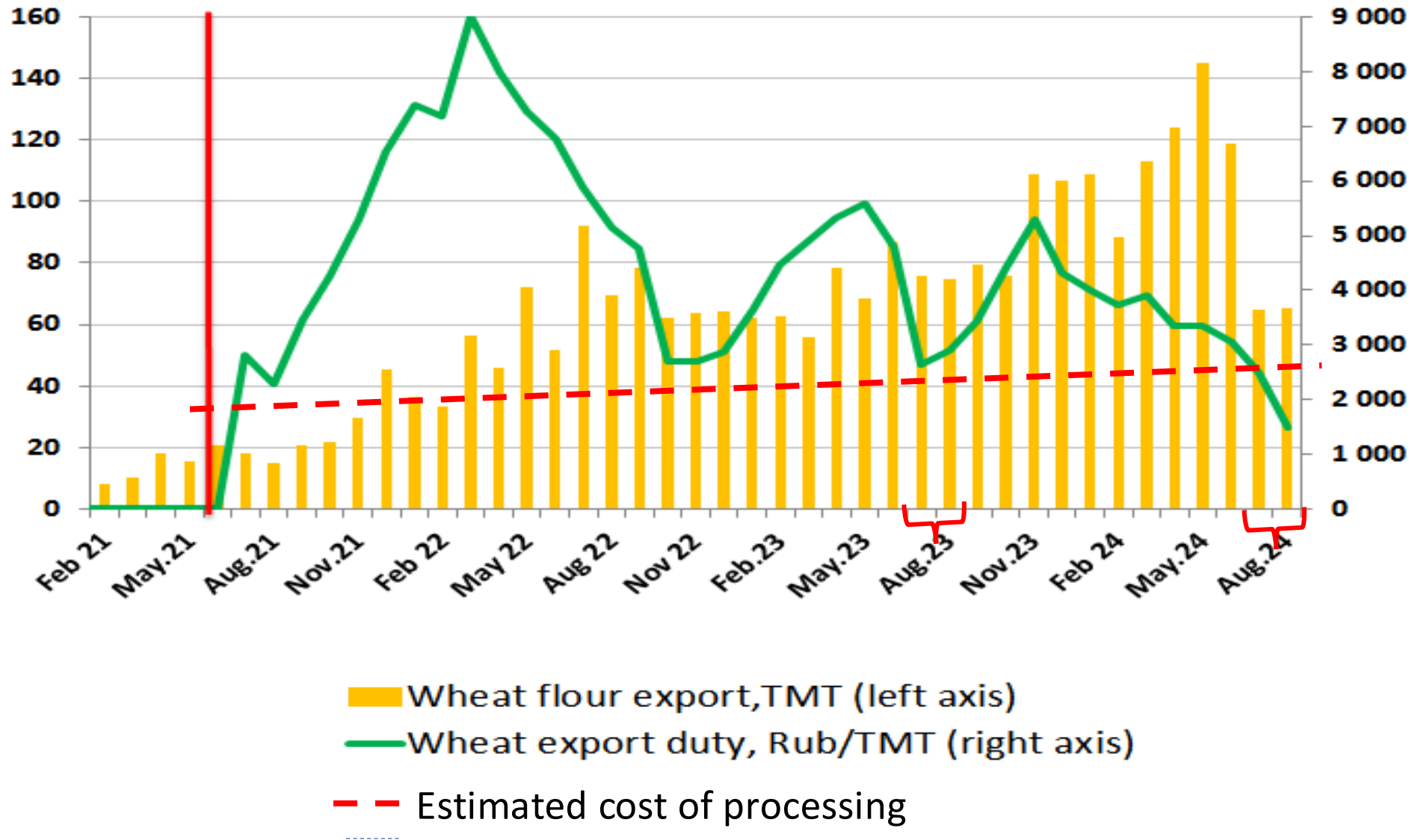


Importing countries in 2023/24





Wheat flour export and wheat export duty



In general, the higher the duty, the higher flour export, and vice versa...



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Thank you!
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