



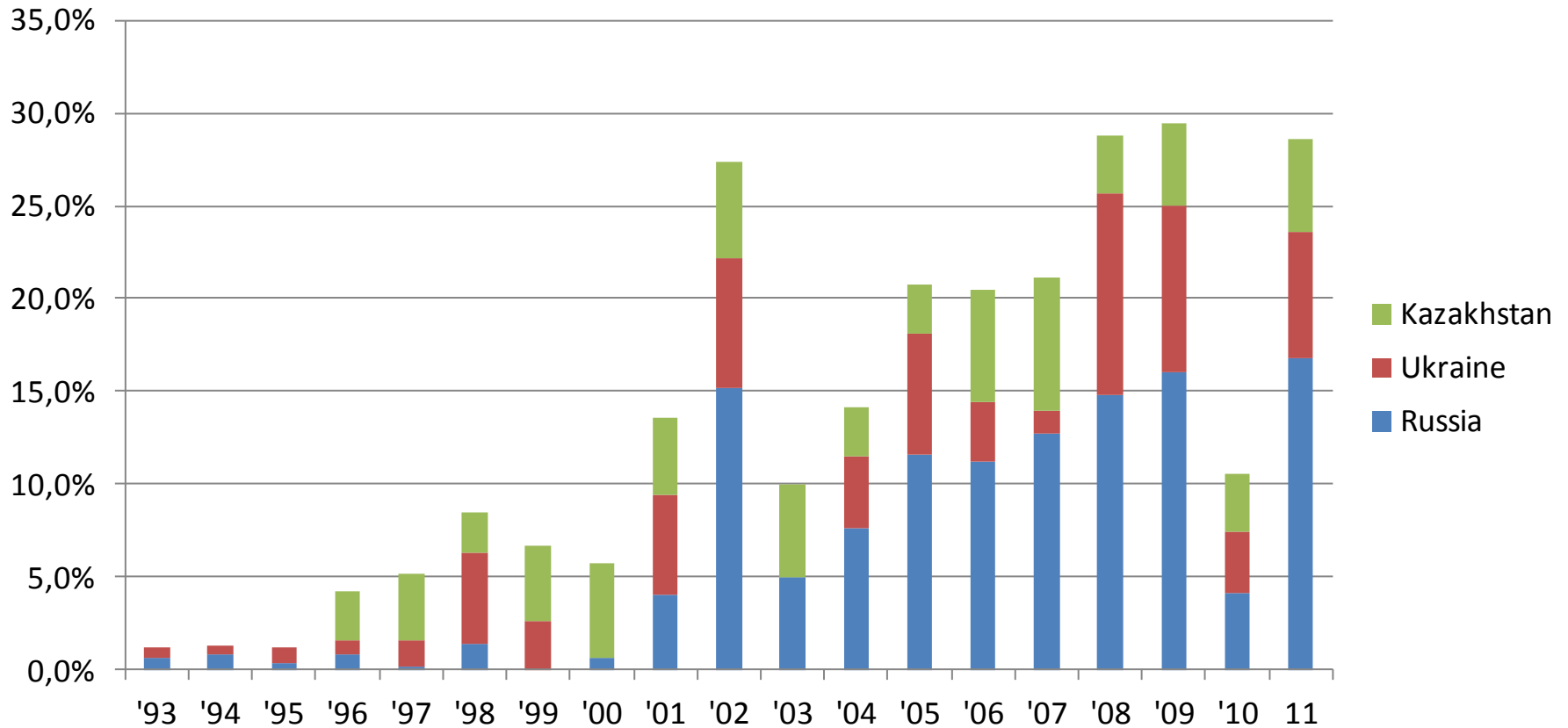
# Black Sea Outlook



**Alexander Gruber, Jordan 2011**

# Black Sea has become a major swing player...

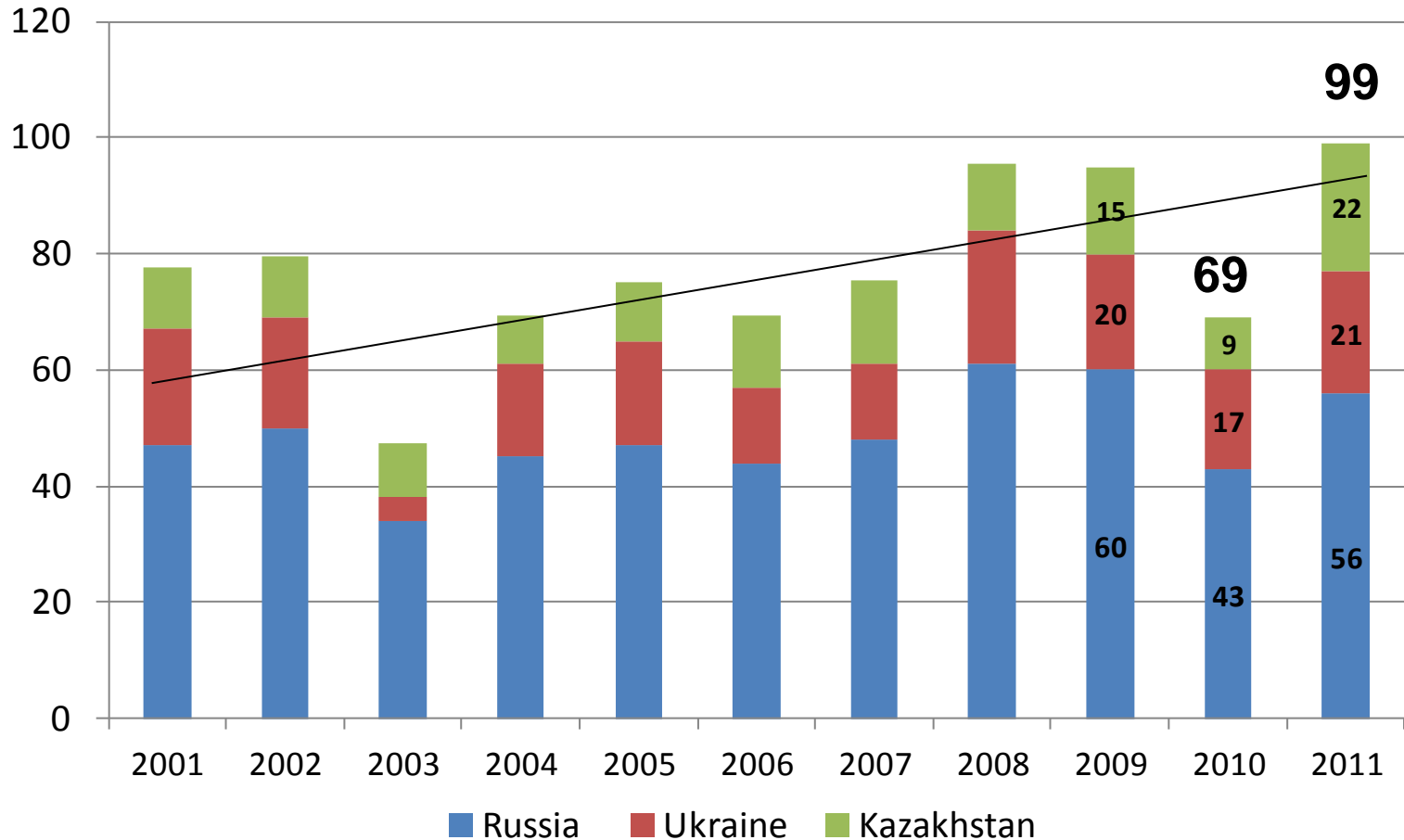
**FSU Contribution to wheat world trade**  
(% of World Trade)





# Wheat production – Russia, Ukraine, Kazakhstan 2001-2011

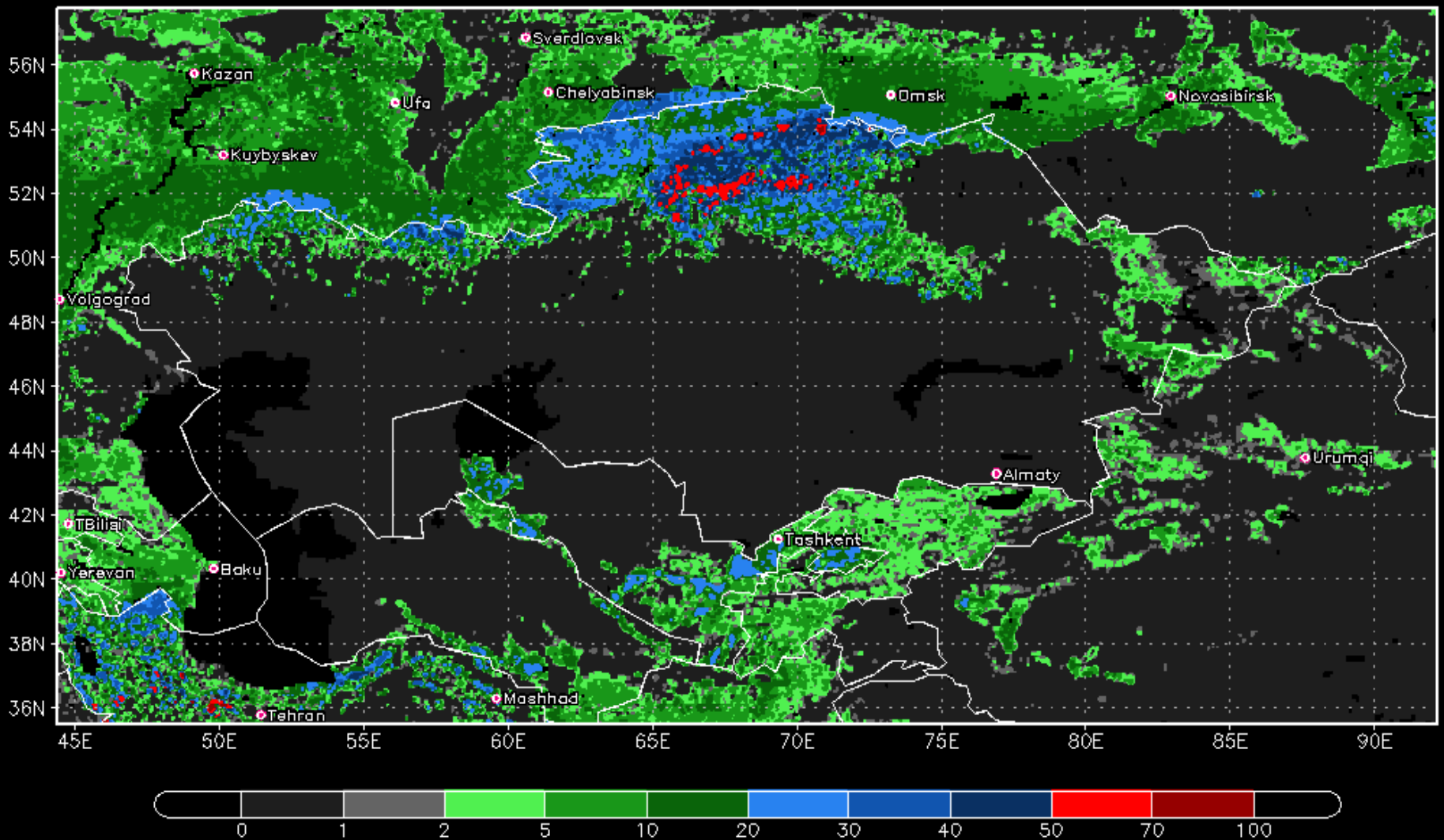
(in Million MT)



Wheat density (% of agricultural area)

01/JAN/2000

# Kazakhstan



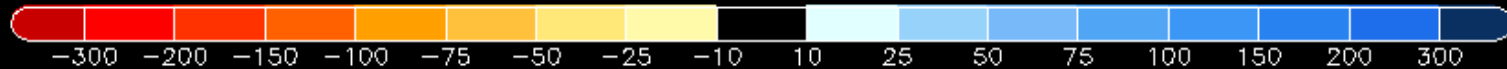
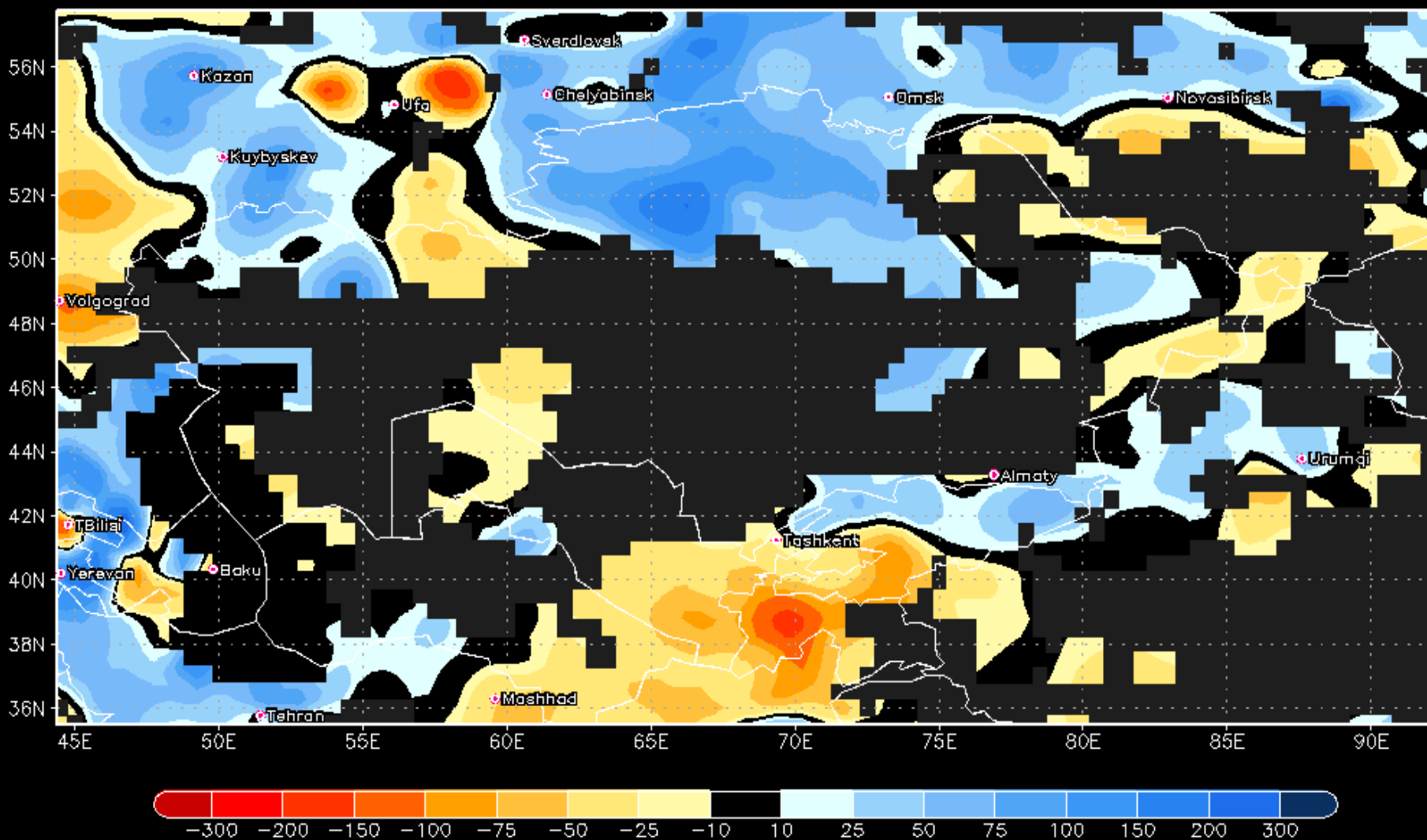
Wheat density raster around the year 2000

Fri 08/12/2011

Version 4.4

Cargill D&S WU GTA R&D

### Map Precipitation versus normal from March thru Aug 10

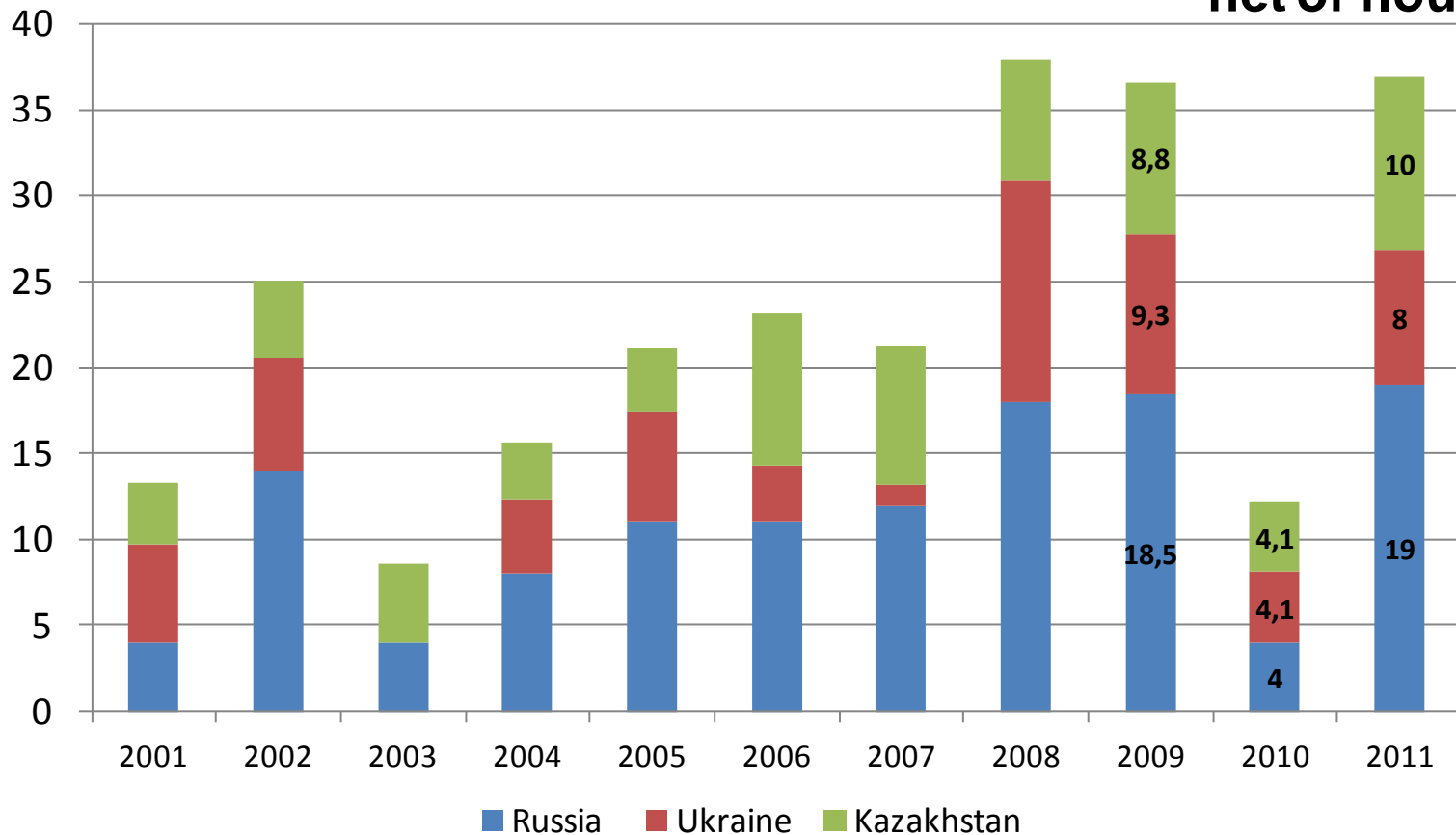




# Wheat Exports – Russia, Ukraine, Kazakhstan 2001-2011

(in Million MT)

37 mio mt  
net of flour 34.5



## Exports out of Black Sea

Million Mt	08-09	09-10	11-12
<b>Central Asia</b>	<b>4,0</b>	<b>2,4</b>	<b>1,2</b>
India	0,0	0,0	0,0
Pakistan	1,6	0,0	0,0
Bangladesh	1,7	2,0	1,0
<b>East Africa</b>	<b>1,3</b>	<b>2,3</b>	<b>2,6</b>
EU27	4,3	1,9	3,8
<b>Mideast</b>	<b>13,8</b>	<b>16,2</b>	<b>19,5</b>
Egypt	5,9	6,5	10,0
Syria	1,0	1,3	0,8
Turkey	3,1	2,6	2,6
<b>North Africa</b>	<b>2,1</b>	<b>1,7</b>	<b>2,1</b>
Far East	2,8	2,7	1,0
Other destinations	6,7	5,8	4,3
<b>TOTAL EXPORTS</b>	<b>35,0</b>	<b>33,0</b>	<b>34,5</b>

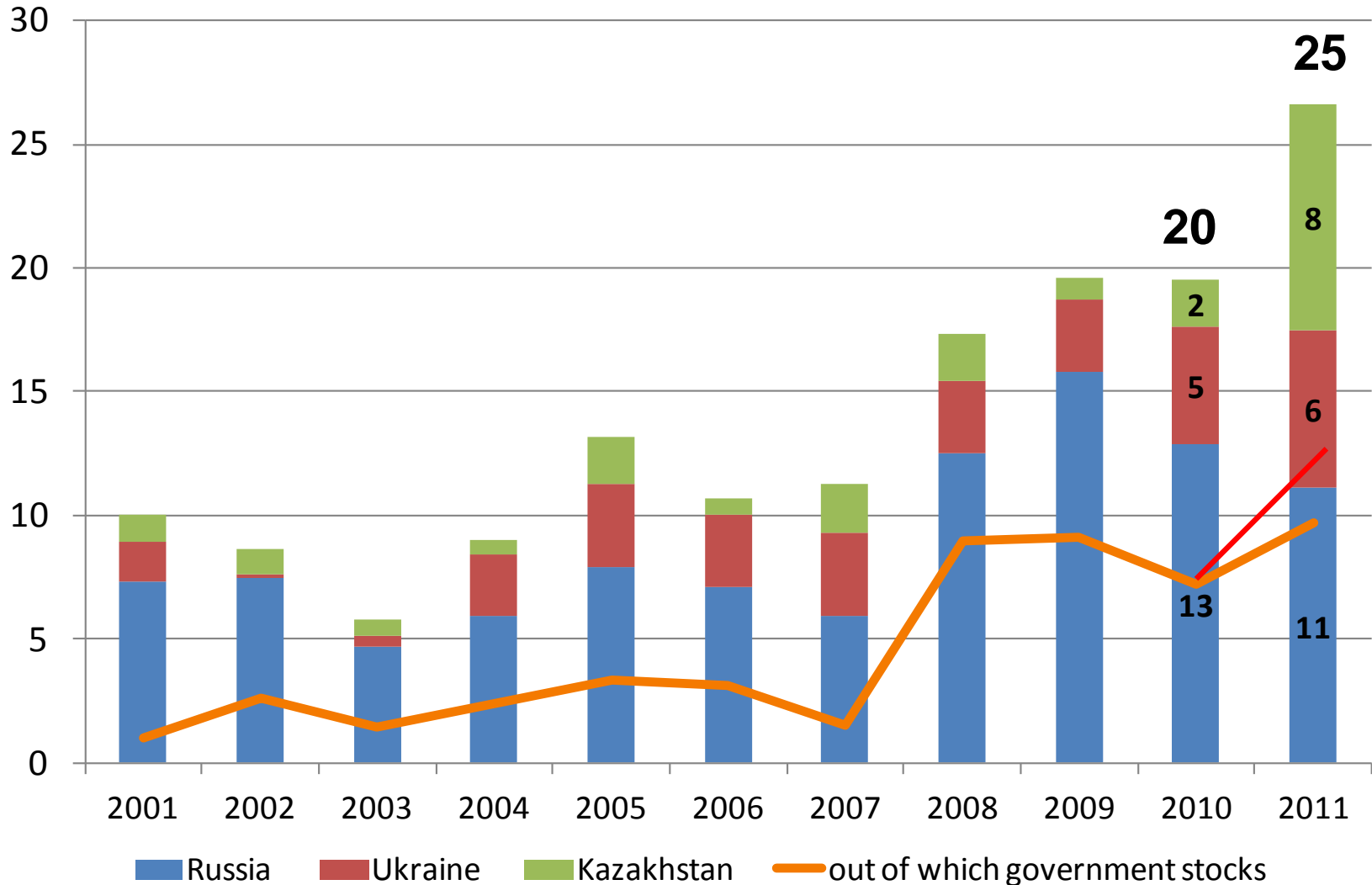
## Exports by flows

Exports in mio mT	Black Sea Big port	Black Sea Small p.	Baltic	Trains to Stans	Total export
Russia	12.0	6.0	1.0		19.0
Kazakh.	2.0	1.0	2.0	2.5	7.5
Ukraine	7.0	1.0	0		8.0
Total wheat	21.5	8.0	3.0	2.5	34.5
Total G&O	36.5	12.0	6.0		52.0
Total Cap	55.0	22.0	8.0		85.0



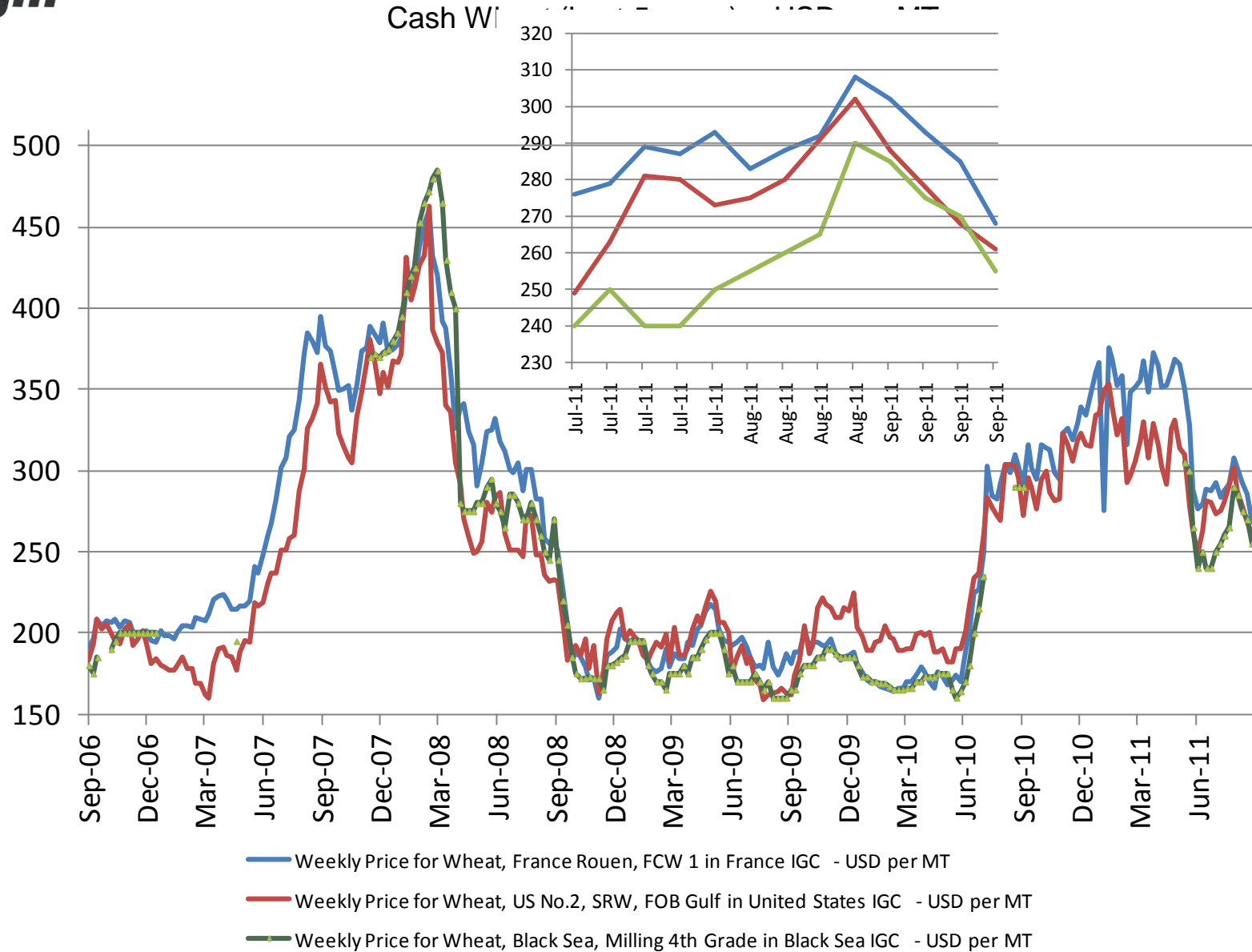
# Black Sea wheat ending stocks

## 2001-2011 (in Million MT)





# Price building in the Black Sea



# Cost of production

## A floor to prices?

In USD/MT	Cost of production	Government impacts	Logistic	FOB
Russia (south) RUB/USD 33	140		60	200
Ukraine UAH/USD 8	140	Export Tax: 23	60	220
Kazakhstan KZT/USD 148	120 vs 150	Transp.Subs:40	140	220

**Cost of production coming from 100 USD/mt ex farm**

**RUB/ USD exchange rate**

# Conclusions

- **World wheat production has recovered strongly due to a historical record crop in the Black Sea**
- **Healthy Black Sea exports during the full campaign- Black Sea cannot miss GASC demand, BUT:**
- **Government interference is reducing liquidity**
- **Farm economics will provide strong resistance at USD 220 FOB for 11.5 pro standard milling wheat**
- **Strong historical correlation of Black Sea wheat prices with US/ EU wheat.**
- **Tight US corn supply will support US wheat futures at USD 5.50 which is abt USD 220 fob Black Sea equivalent.**

**Consequently we forecast a price range for standard 11.5 pro Black Sea milling wheat of USD 220 - 260 Fob Big port for the coming months.**

**If EUR/USD drops below 1.27 and crude oil below USD 70 we can see USD 180 – 200.**