



IAOM Mideast and Africa Conference

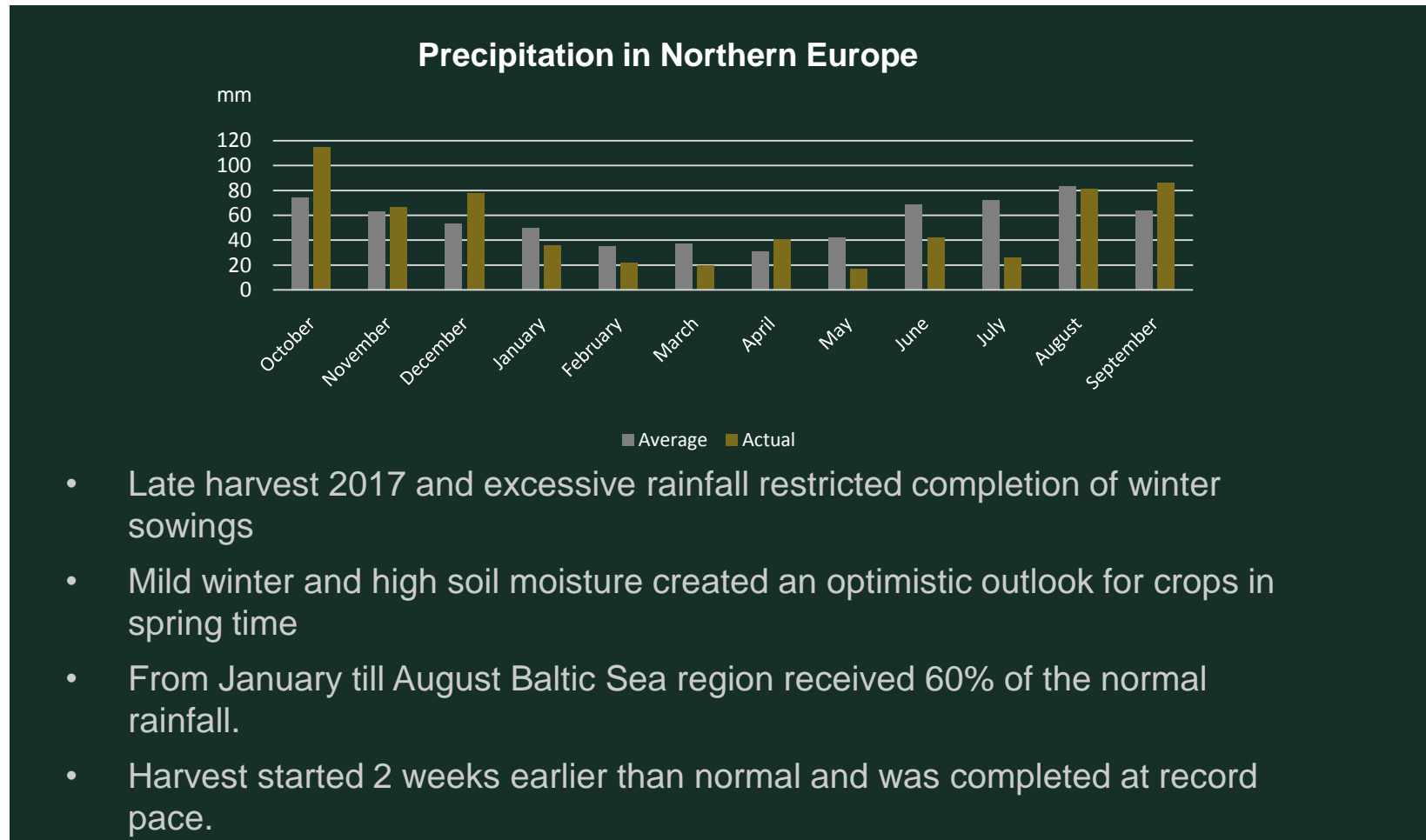
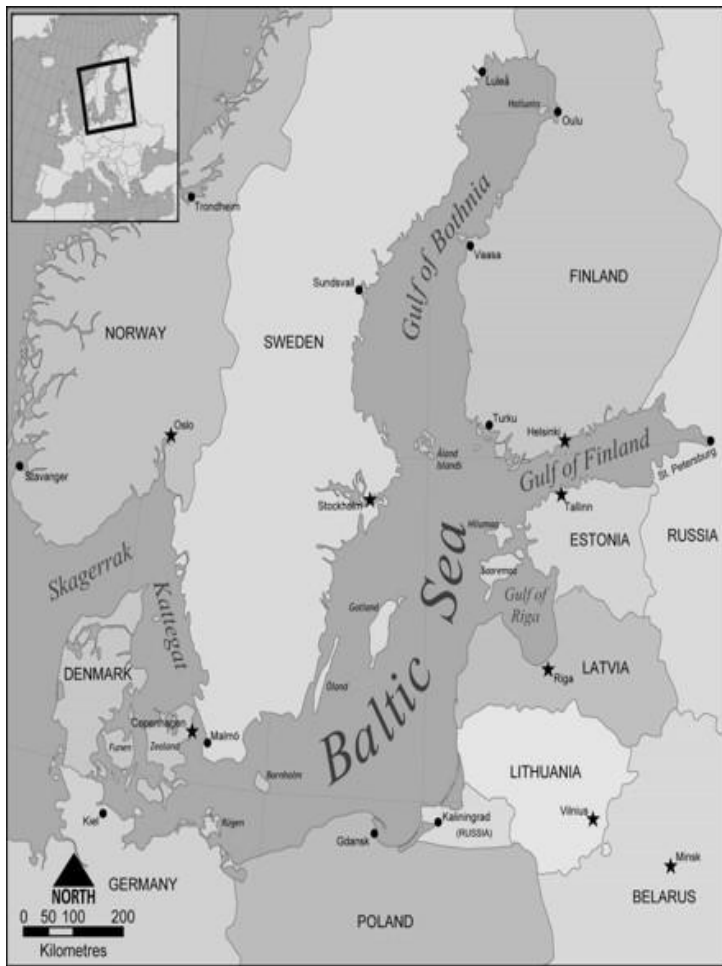
Indrek Aigro, Copenhagen Merchants

24 October, 2018

Overview – Biggest Draught in 30 Years

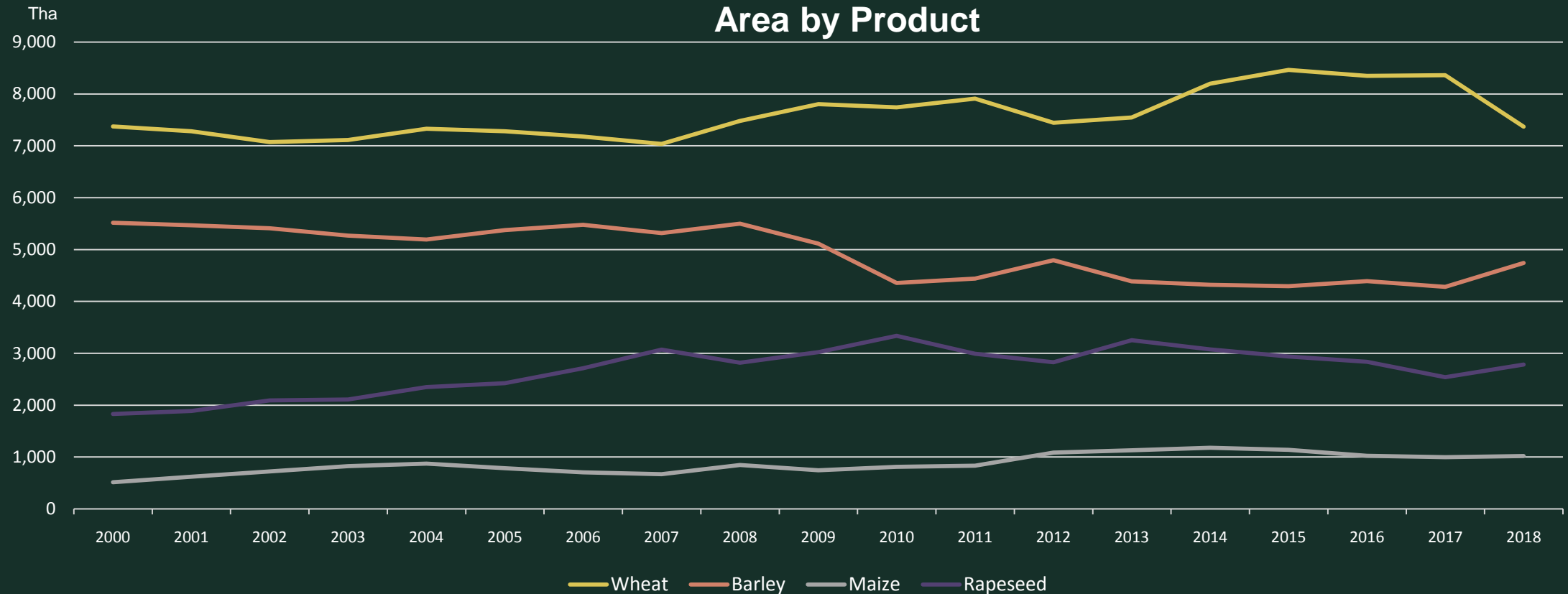
- **Growing season 2017/2018** – Dryest summer in decades
- **Planted areas** – Record spring grain areas due to wet autumn conditions
- **Wheat harvest by country** – Baltics represent 60% of the Baltic Sea milling wheat surplus
- **Quality** – High proteins, low yields
- **Exports** – Exportable surplus down by 50%

2017/2018 Growing Season Overview



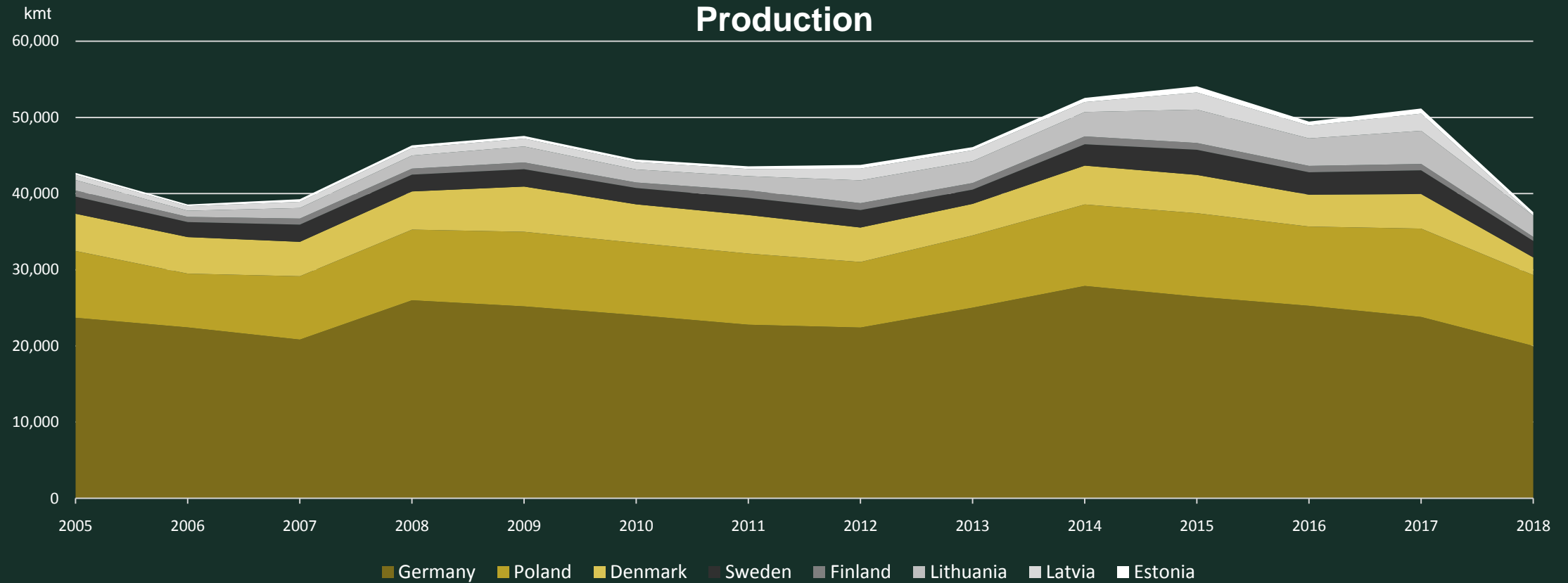
Sowing Areas of Main Products

Baltic Sea Countries



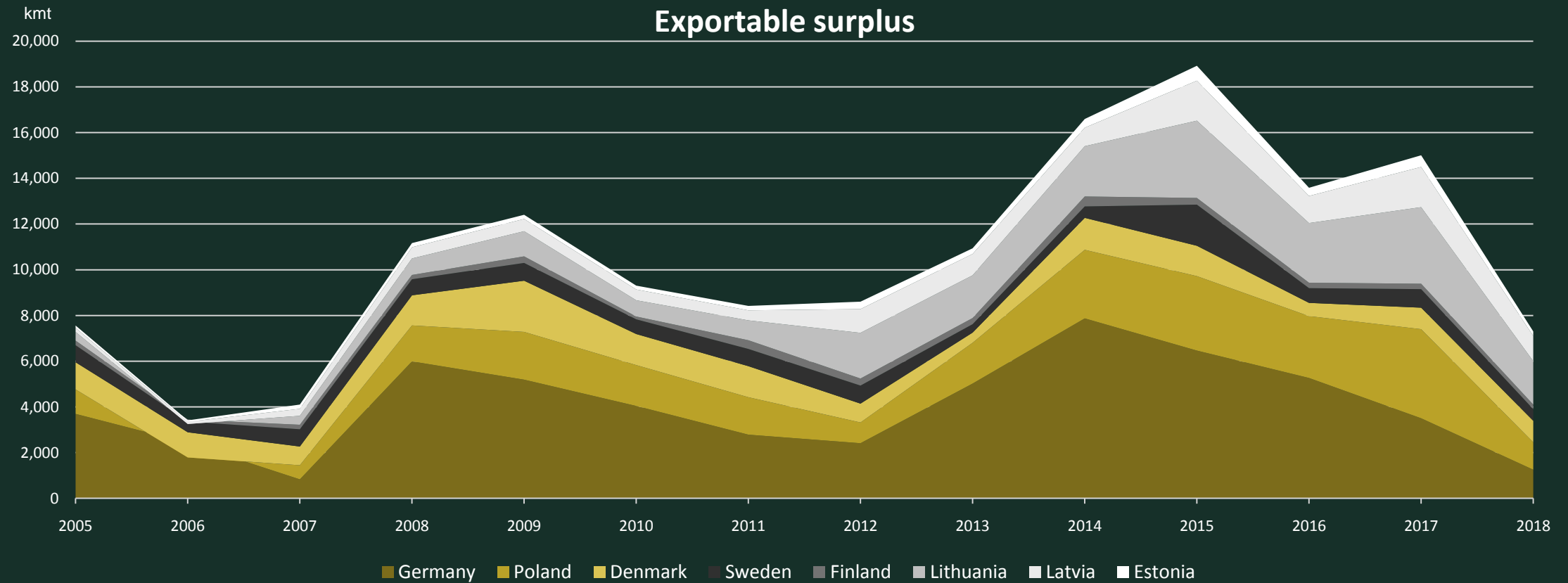
Wheat Harvest

Baltic Sea Countries



Wheat Exportable Surplus

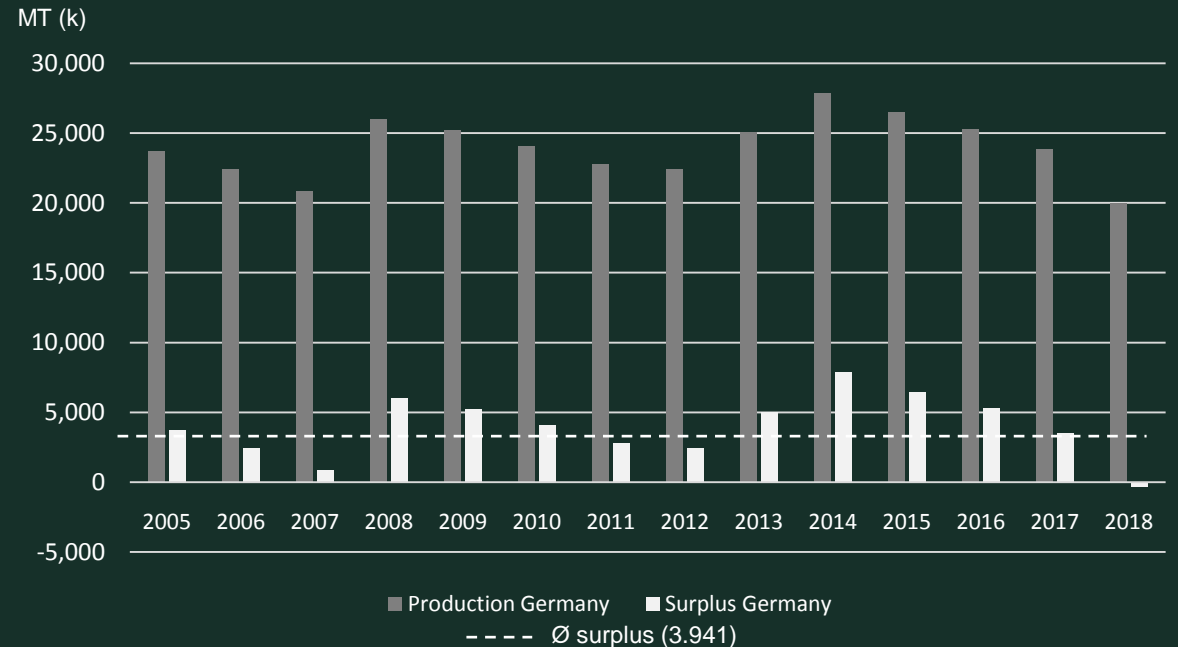
Baltic Sea Countries



Wheat Harvest

Germany

- German wheat crop in **2017** was **20.0 Mmt tn** vs **23.8 mio tn** in **2017**.
- Too wet autumn and extreme dryness from **April to August**
- Germany switched from **exporter** to net **importer**.
- High protein, test weight, low moisture
- Split on export quality:
0.3 Mmt – 12.5% (Saudi Arabia, Southern Africa)
1.2 Mmt – 13.5%+ (Spain, Turkey?, UK, etc)



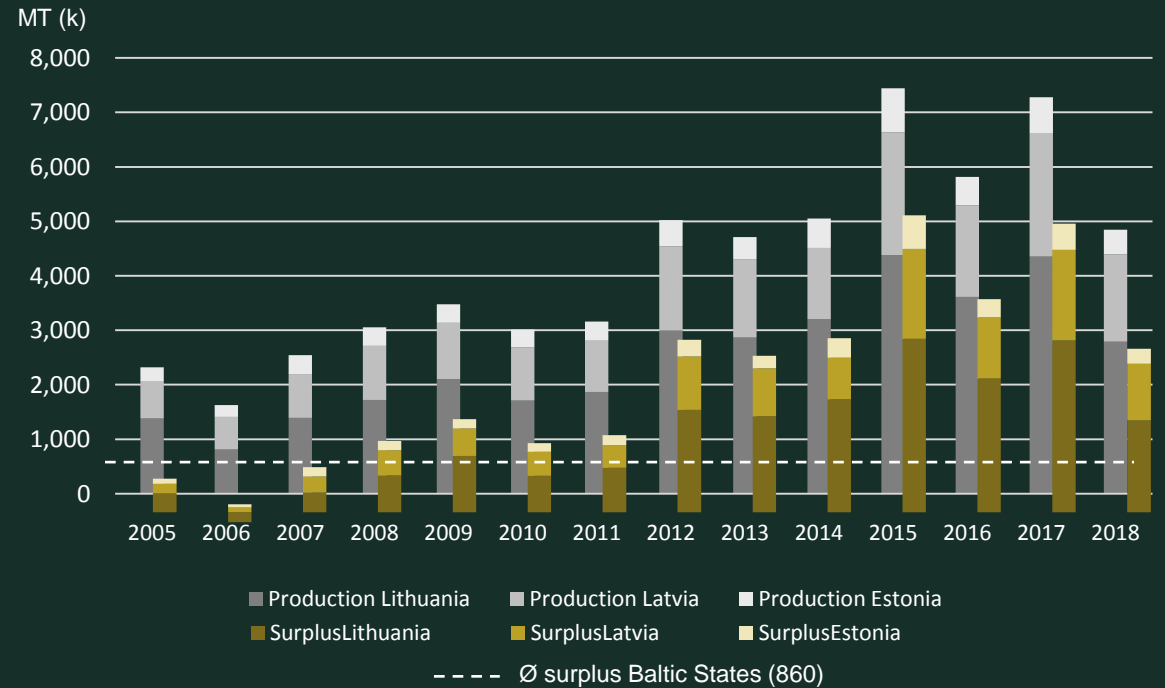
Worst crop

In **24** years

Wheat Harvest

Baltic States

- Too **wet** autumn and too **dry** spring/summer
- We estimate the **crop size** to be **5.2 Mmt** vs **7.2 Mmt** one year ago
Exportable **surplus is down** to **3.2 Mmt** from **5.2 Mmt** last season
- Split on exports:
0.2 Mmt – feed wheat (EU destinations)
0.5 Mmt – 12.5% (Saudi Arabia, Southern Africa)
1.5 Mmt – 14% (Spain, Turkey, Saudi Arabia, etc)
1.0 Mmt – 15%+ (Spain, Turkey, Saudi Arabia, etc)
- Despite record-low rain fall exports only down **40%**
- **Good** start for crop '19



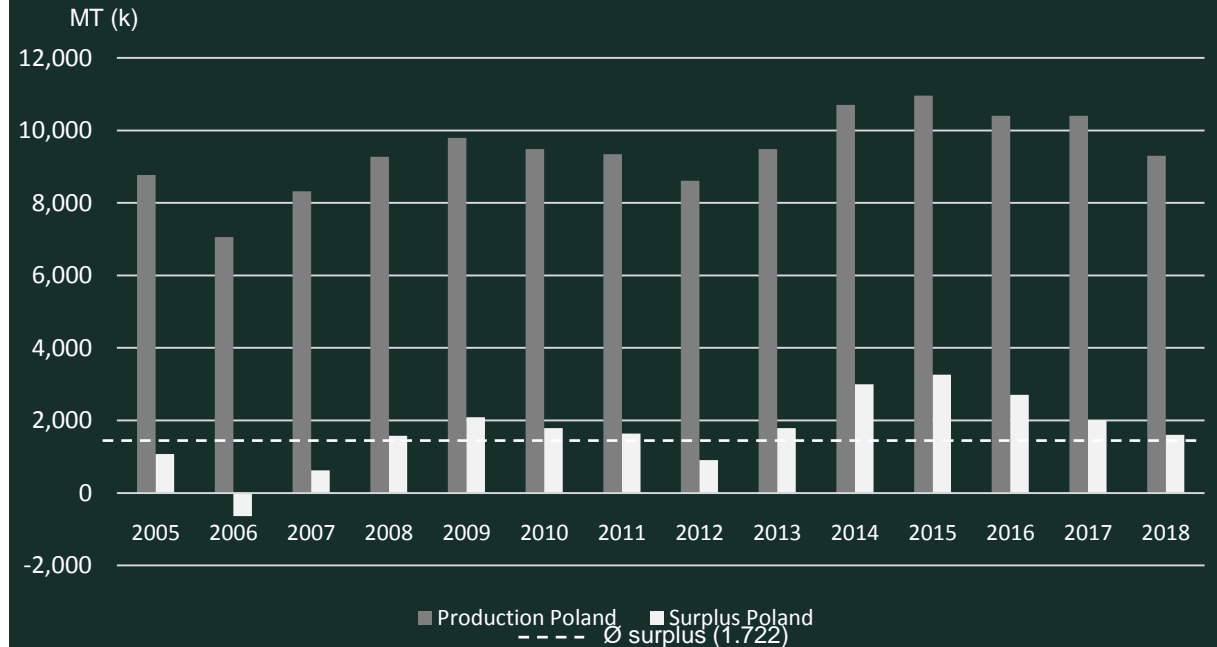
Deficit of **feed**
grains

Record winter
areas

Wheat Harvest

Poland

- Crops suffered due to **heat** and **dryness**
- Milling wheat **qualities are good** with high test weight, protein, falling number and low moisture
- Exportable surplus 1.5 Mmt **down** from 2.0 Mmt last season
- Split on export quality:
 - 0.5 Mmt – 12.5% (Saudi Arabia, Southern Africa)
 - 1.5 Mmt – 13.5%+ (Spain, Turkey, UK, etc)



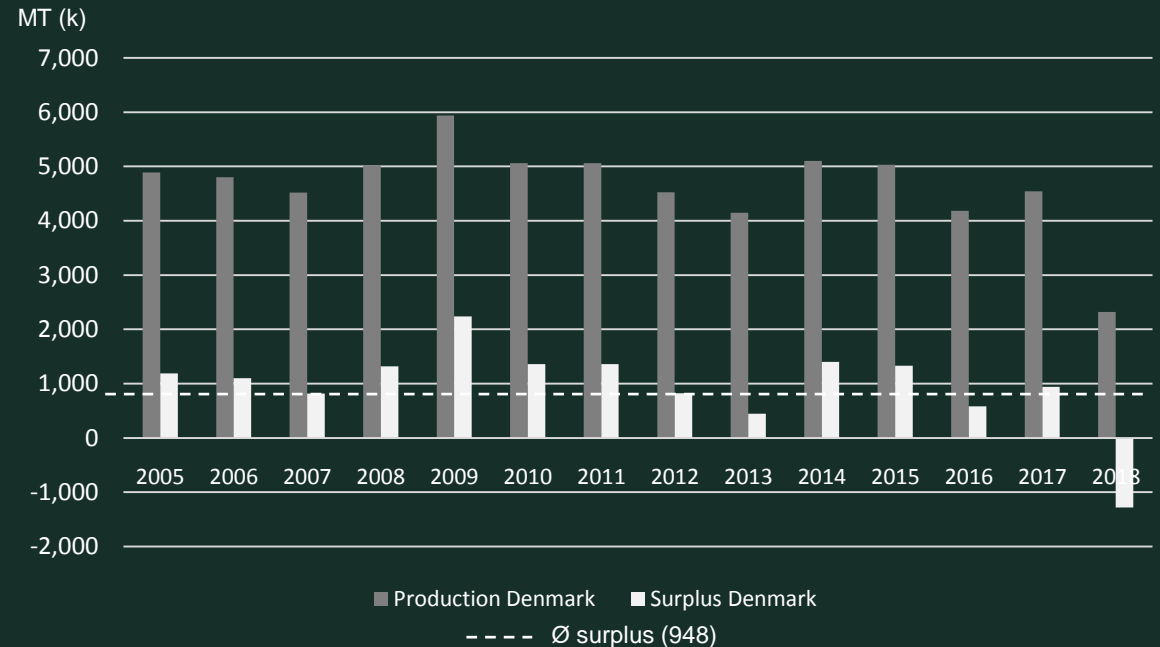
Polish wheat
harvest totalled
9.3 Mmt

1.5 Mmt
exportable
surplus in Poland

Wheat Harvest

Denmark

- Danish wheat crop was **2.3 Mmt** vs **4.6 Mmt** last year – worst crop in 30 years
- For the first time in **30 years** Denmark is a net importer of wheat
- Wheat to be **imported** from the Black Sea (Romania, Bulgaria, Ukraine) and Russia through the Baltic Sea in coasters

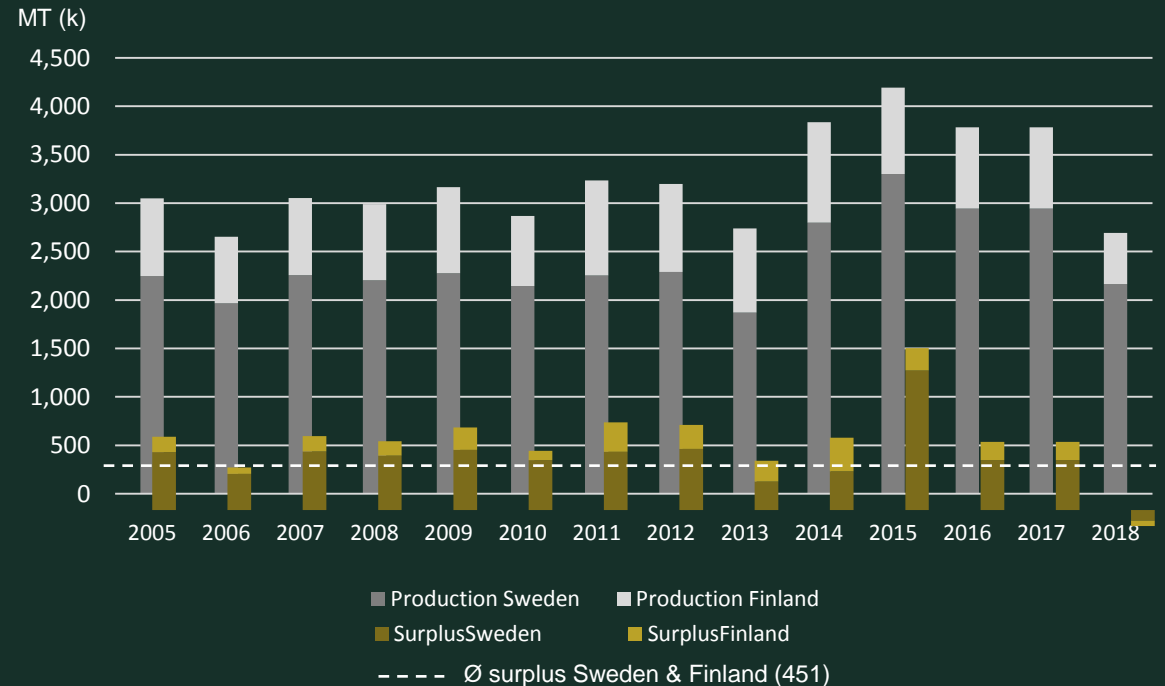


1.2 Mmt wheat
needs to be imported
to Denmark

Wheat Harvest

Sweden & Finland

- Swedish/Finnish harvest totalled **2.7 Mmt** vs **4.0 Mmt** last year.
- Like in other countries in the region it was the lowest production in decades
- 1 mio Mmt exportable surplus was replaced 0.2 Mmt deficit (feed wheat)



Due to bad weather wheat crop is **35%** down from last year

Russian Wheat Through the Baltic Sea



- Baltic Sea demand for feed grains is a good match for low-quality supply in Central Russia
- Overseas destinations for Russian Baltic Sea shipments have been replaced by EU destinations.
- For the uncovered demand in Northern Europe Russian grain through Baltic Sea will offer competition to Black Sea origins.
- Deficit of rail cars seen last autumn continues through this season
- Many unofficial obstructions from Russian authorities for grain deliveries to the Baltics.
- Total Russian flow size this season to be ca 3Mmt through and into the Baltics

Conclusion

- Wet autumn, hot and dry summer created a harvest 30% below last year, reducing exports by 50%
- **Quality is very high** all over
- **Lithuania is the largest** wheat exporter in the Baltic Sea
- German-Baltic wheat belt **does not have enough quality wheat** to cover Saudi/Southern African demand
- The over supply of high protein wheat will end up shipper as 12.5%
- **Russian** exports through the northern corridor will end up in Northern Europe
- Seems that **due to less quantity**, Baltic Sea origin milling wheat will **not** be competing this season to main **Black Sea destinations**.



**Asante!
Thanks!**