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# Pricing and Fundamentals in the Black Sea Wheat Market - a Price Reporting Agency's Perspective

Black Sea Grain Conference, Kyiv  
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21<sup>st</sup> May 2021



illuminating the markets

Market Reporting

Consulting

Events

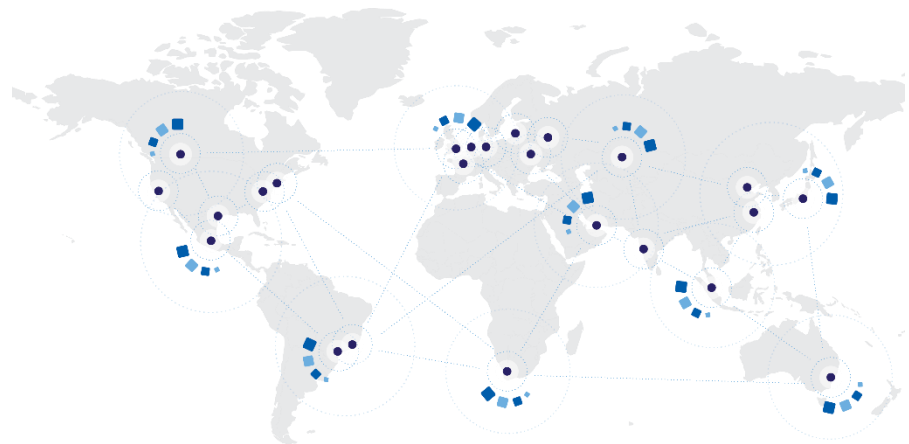
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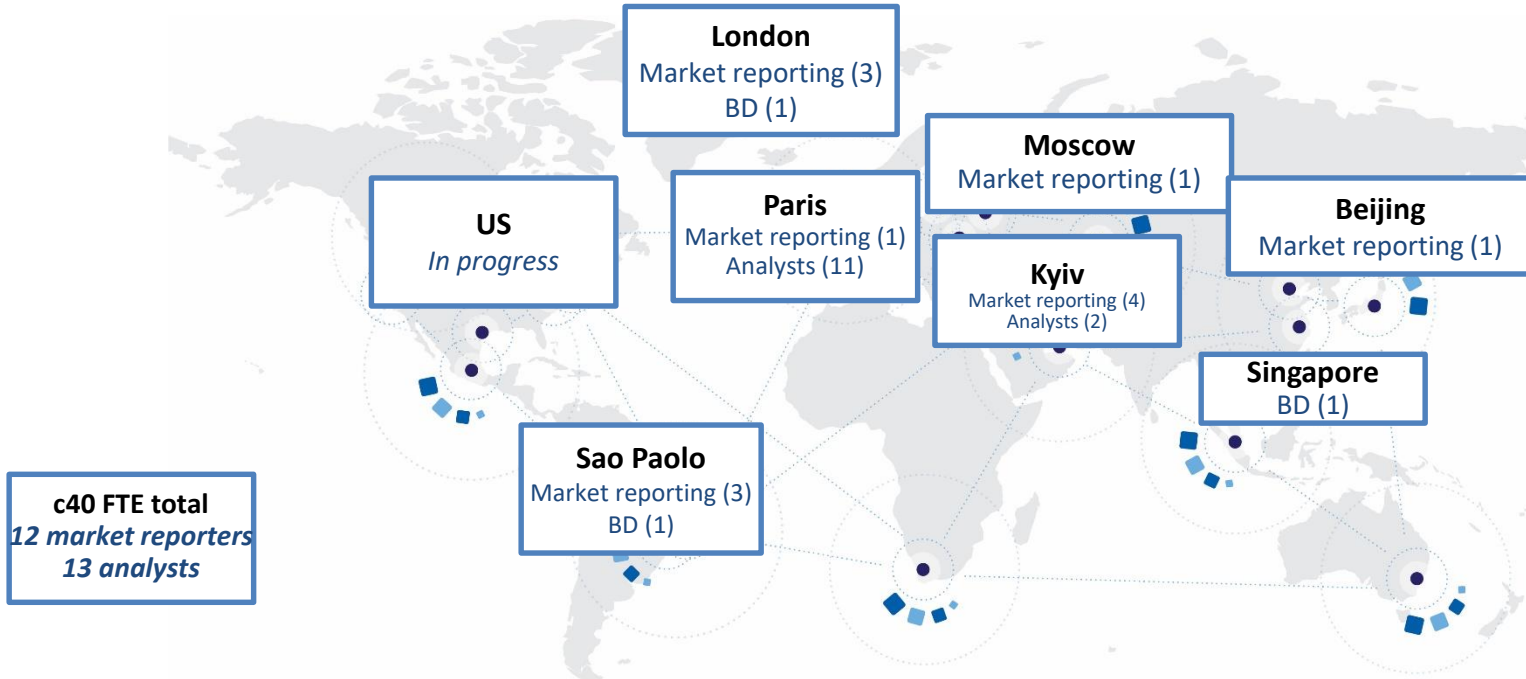
# A view of Argus

- One of the world's leading PRAs, Argus has more than 1000 staff members and offices in the world's principal commodity trading and production centres
- Publishing more than 25,000 price assessments, plus market intelligence for world commodities markets
- Coverage includes:
  - Energy, including oil, natural gas, power, coal, asphalt, base oils, biomass, emissions and more
  - Fertilizers
  - Petrochemicals
  - Metals
- Services
  - Price reporting and indexation
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  - Data science
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  - US crude oil
  - European gasoline
  - Asia-Pacific LPG
  - Coal
  - US and European environmental markets



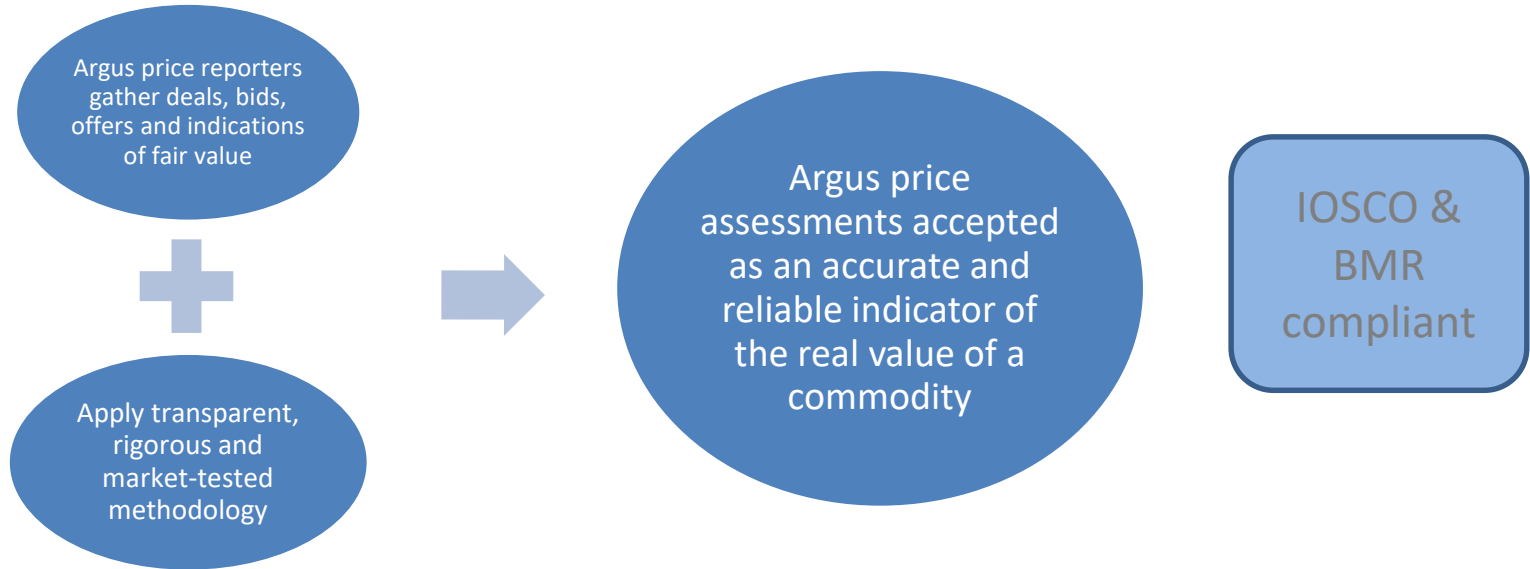
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# We have built a global agricultural commodities team



# But what exactly does a price reporting agency (PRA) *do*?

Negotiating on price is difficult without a reference point...enter the PRA



# Argus, Agritel core competencies a neat fit

## Physical indexation

Biofuels – Argus rapeseed RME pricing used in supply contracts in Europe

Nat Gas - Argus pricing used in European supply contracts

Ags players already use Argus biofuels pricing:

BUNGE

Cargill

GLENCORE

ADM

Agritel's strong relationships with farmers and co-ops provide a key point of differentiation for Argus

## Cash settled swaps

(typically settle against monthly average of Argus index)

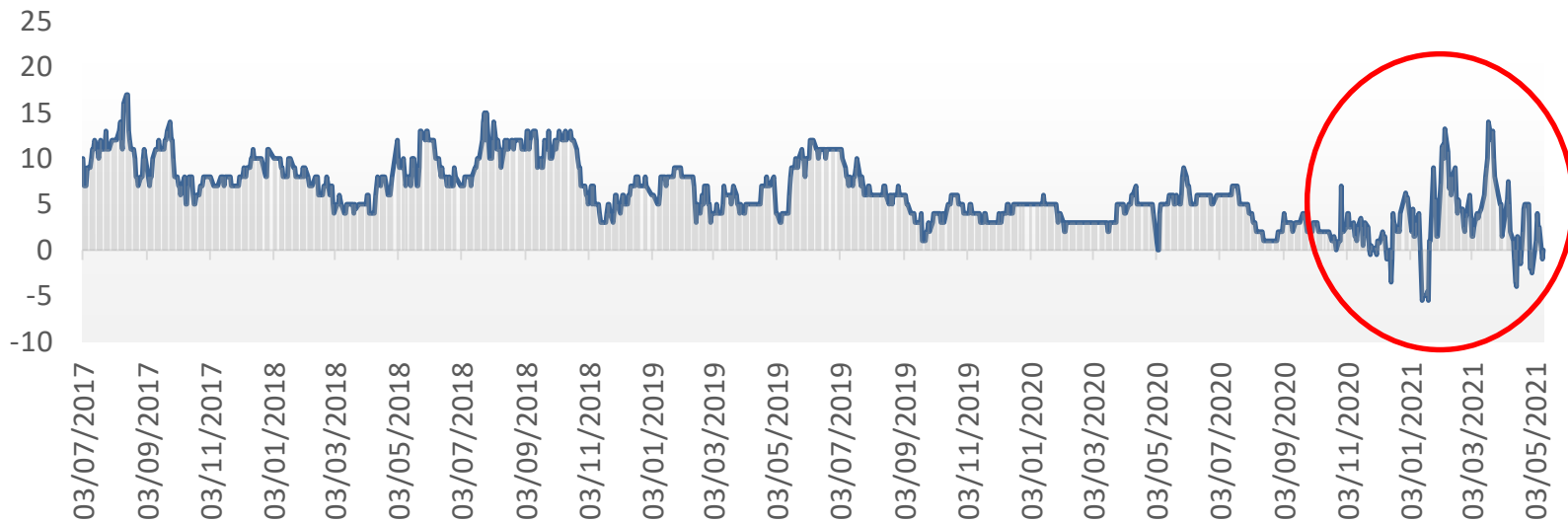
Biofuels swaps listings

Thermal coal swaps listings

Metals swaps listings

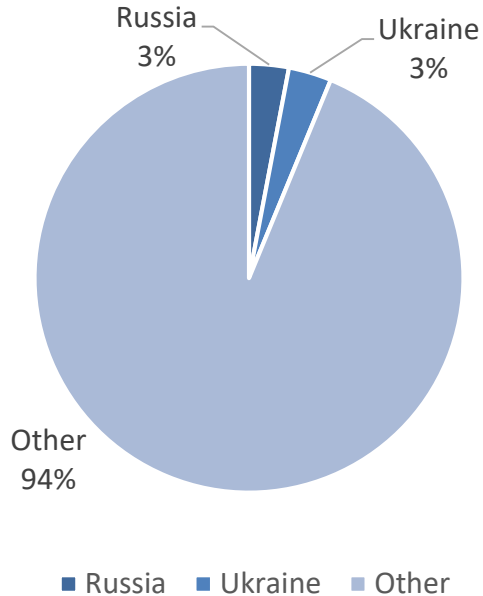
# Russia's wheat export curbs drive volatility on Russia/Ukraine spread

Agritel/Argus Russia 12.5%-Ukraine 11.5% spread (USD/t)

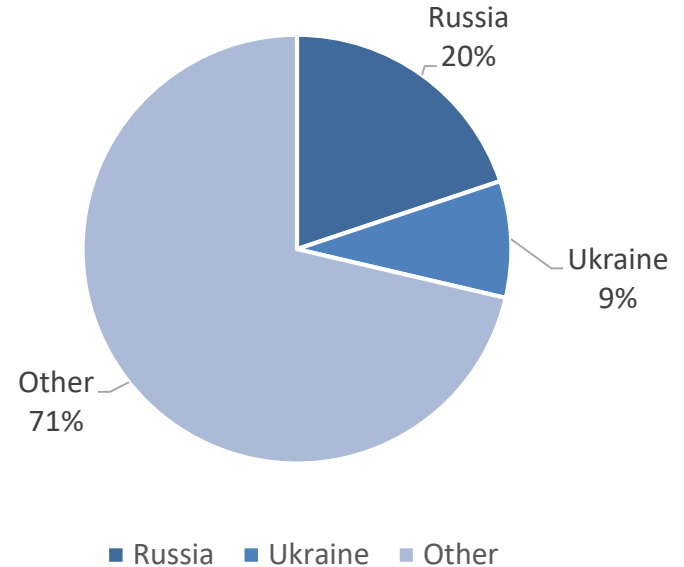


# Increase of Black Sea share in global wheat exports

Global wheat exports 2010/11

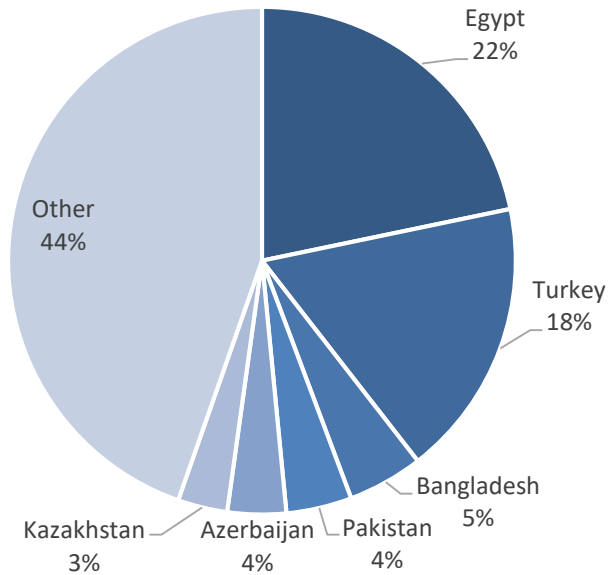


Global wheat exports 2020/21

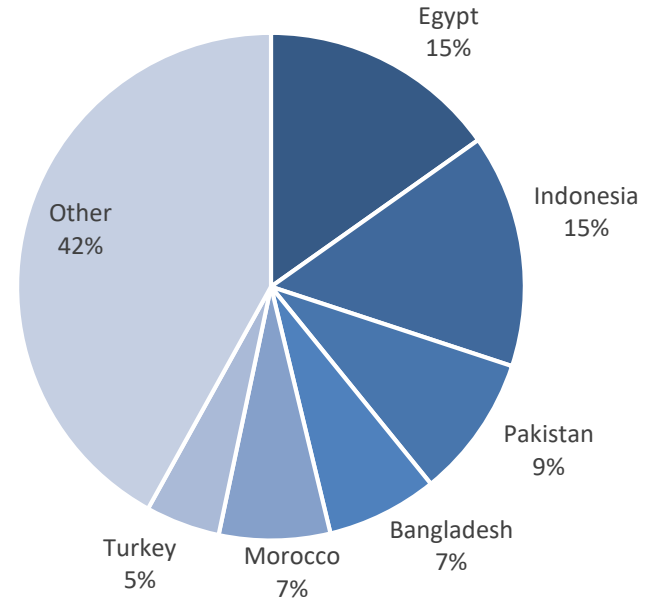


# Strong competition between Ukrainian and Russian wheat

Russia wheat exports in 2020-21 (July-April)



Ukraine wheat exports in 2020-21 (July-April)

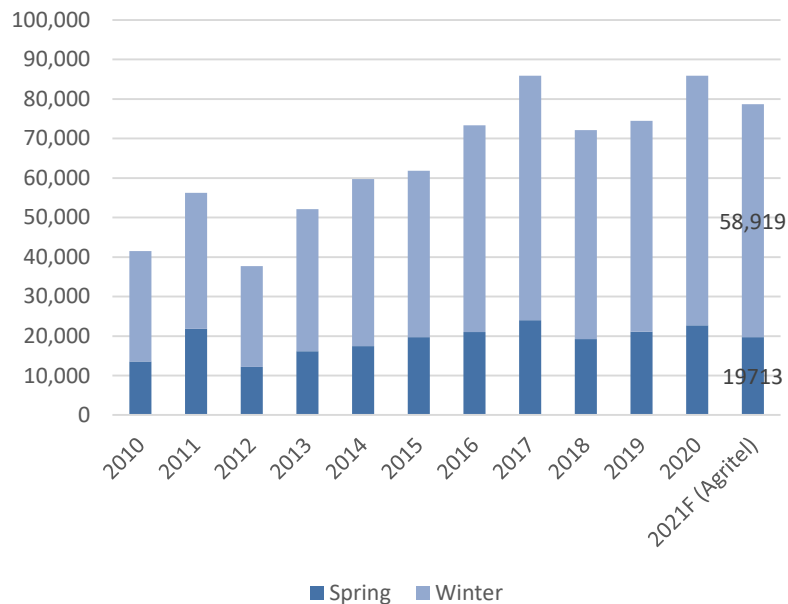


Source: Russia's veterinary and phytosanitary surveillance service, Ukrstat  
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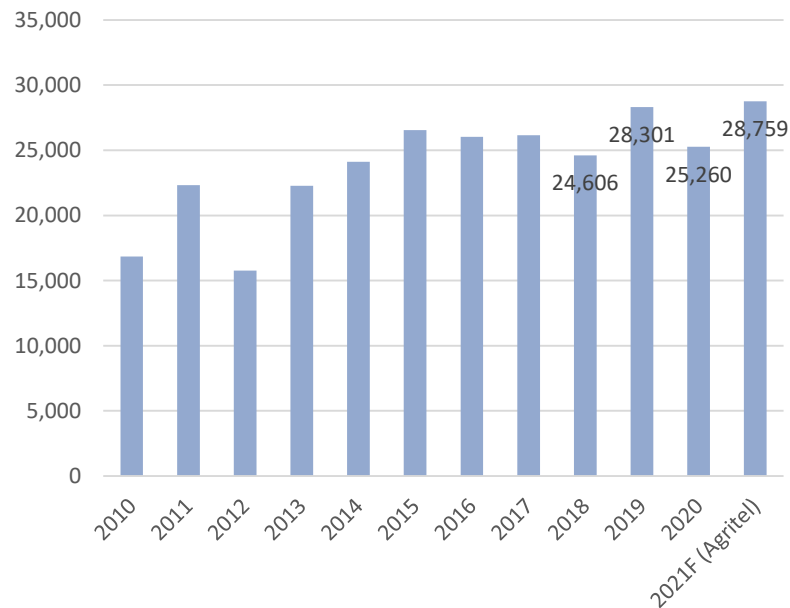
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# Black Sea wheat to maintain its position in 2021/22

## Russia wheat production, mn t

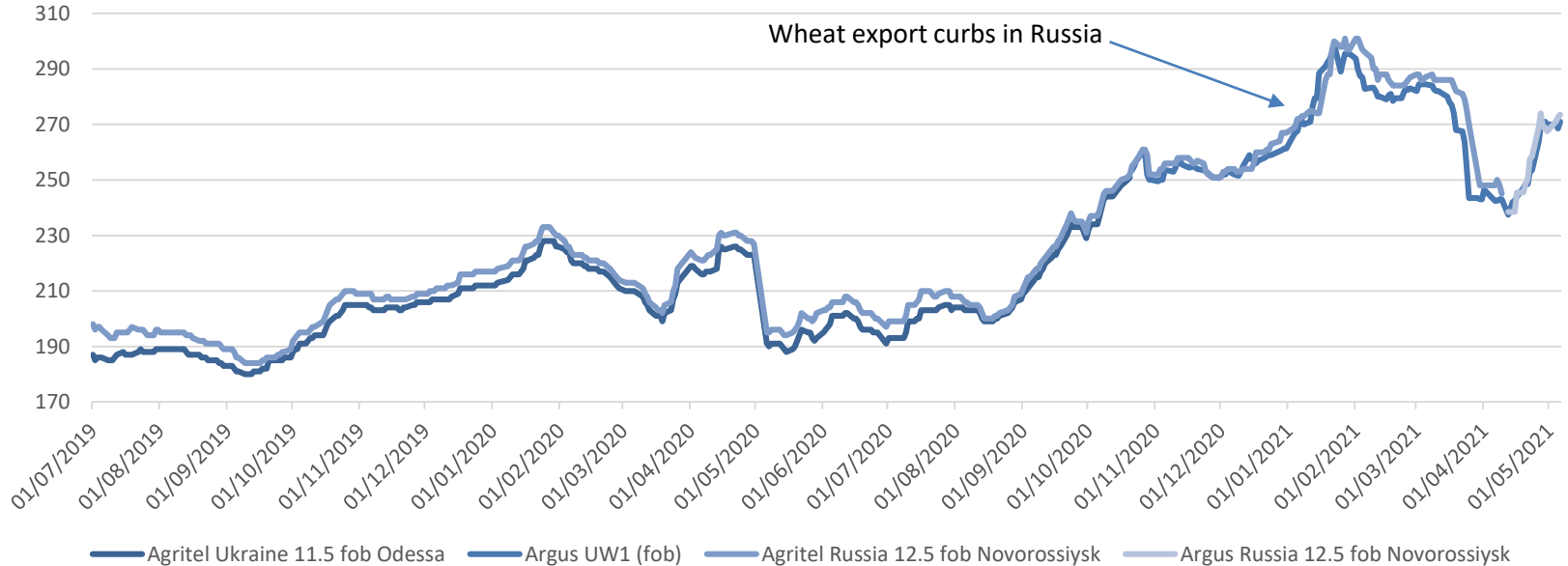


## Ukraine wheat production, mn t



# Fundamentals continue to have major impact on prices, but government export control gains in influence

## Agritel/Argus Ukraine and Russia fob wheat prices (USD/t)



# Argus AgriMarkets covers market moving news explaining how it could influence market in future...



Argus AgriMarkets

Daily grains, seeds and oils prices, news and analysis

argusmedia.com

Issue 21-81 | Monday 26 April 2021

## SUMMARY

## Key prices

**Black Sea wheat: Prices rally on fresh demand**  
Spot Black Sea fob wheat prices surged by \$10/t, finding support from firmer moves in wheat futures on the global exchanges amid fresh demand for both old and new crop.

	Loading	Bid	Offer	Mid	±
Wheat 5/1					
Wheat 11.5% fob (D17)	Spot	262.00	265.00	263.50	+10.00
Wheat 11.5% fob (D17)	Spot	247.00	250.00	248.50	+2.00
Wheat 12.5% fob Russia (Ilovorostyski)	Spot	264.00	271.00	268.50	+10.00
Grain 5/1					
Corn fob (D1)	Spot	278.00	281.00	279.50	+4.50
Corn cft (D1)	Spot	248.00	275.00	271.50	+1.00
Soybeans (D1)					
Brazil soybeans fob Paranaqua diff to CBOT	Jun	-2.0	+5.0	+1.5	-15.0
China soybeans cfr diff to CBOT	Jun	+140.00	+148.00	+144.00	-6.00
Rapeseed Oil (RSO) €/t					
RSO fob Dutch mill	Prompt	1,570.00	1,568.00	1,569.00	8
RSO fob Dutch mill	HLJ	1,534.50	1,546.50	1,540.50	-3.50
RSO fob Dutch mill	ASO	1,632.50	1,642.50	1,637.50	+1.00
RSO fob Dutch mill	HLJ	1,620.00	1,628.00	1,624.00	+1.00

**Ukraine corn: Fob tracks futures gains**  
Spot Ukraine corn prices extended their gains, supported by a sharp rise in corn futures on the global exchanges amid uncertainties over South American supplies.

**Brazil soybeans: Premiums have sharp drop**  
The soybean paper market in Paranaqua started the week in sharp decline on Monday, falling by as much as 15¢/bu during a trading day marked by high liquidity.

**Russia wheat exports accelerate**  
Russia's wheat exports rose sharply last week, following an increase in demand for old wheat crop, as unfavourable weather conditions could negatively affect new crop.

**Egypt's GASC seeks August delivery milling wheat**  
Egyptian state-run grains agency GASC has issued its second tender for 2021-22 crop milling wheat cargoes for delivery in August.

**Bangladesh seeks 50,000t wheat**  
Bangladesh's food ministry has issued a tender to buy 50,000t of soft wheat for May-June shipment.

**PREVIEW OF ARGUS AGRIMARKETS**

This is a preview of the Argus AgriMarkets report — which provides the latest daily prices, news and analysis for global grain, oilseed and vegoil markets. For more information, please email: [argus@argusmedia.com](mailto:argus@argusmedia.com)

## Grains, oilseeds and veg oils tenders

Buyer	Issued	Closes	Status	Cargo	Delivery
Algeria's OAC	26 Apr	28 Apr	Open	Milling wheat	June
Bangladesh food ministry	25 Apr	6 May	Open	50kt milling wheat	May-June
Egypt's GASC	24 Apr	28 Apr	Open	30kt SMO 100k SFO	21 Jun-10/21
Egypt's GASC	24 Apr	28 Apr	Open	3kt SMO, 2kt SFO	
Egypt's GASC	23 Apr	27 Apr	Open	Milling wheat	11-20 Aug
Jordan's trade ministry	23 Apr	28 Apr	Open	120kt feed barley	Oct-Nov
Jordan's trade ministry	14 Apr	21 Apr	Cancelled	120kt feed barley	Oct-Nov
Ethiopia's ARI	7 Apr	20 Apr	Closed	30kt milling wheat	

## Argus News & analysis

**Viewpoint: Wheat market plans for Russian export curbs**  
21 Dec 20, 11:33 - Agriculture Grains Fundamentals Demand Supply

Kyiv, 21 December (Argus) – Russian export curbs could lead to a surge in demand for wheat shipments in January, as well as a boost in buying interest for remaining Ukrainian supplies. But new crop prospects are still likely to be the primary market driver during the first half of 2021 in the Black Sea region.

Russia, which is expected to retain its position as the world's largest wheat exporter this marketing year after producing the second-largest crop ever, will impose restrictions on wheat exports from early-2021 in a bid to curb the rise in local prices for basic food commodities.

The Russian government plans to impose a grain export quota of 17.5mn t from 15 February to 30 June 2021, as well as an export duty for wheat of €25/t (\$30.34/t) for product shipped within the quota, and of 50pc of the customs value of shipments at a minimum threshold of €100/t for volumes over the quota.

Russia also imposed export duty and quota mechanisms within the grains market during the 2015-16 and the 2019-20 marketing years, triggering short-term increases in global wheat prices and a spike in shipments from the country in the months before curbs took effect.

And given that this marketing year's export curbs come into force in mid-February, it appears likely that the market will see a surge in shipments made from Russia at the beginning of the year, especially to Turkey, the largest buyer of Russian wheat in 2019-20, as well as possibly Egypt, which has taken large volumes this year.

Russian wheat export curbs may also attract fresh demand for Ukrainian product, despite expectations of limited supplies there during the second half of the 2020-21 marketing year. Remaining export volumes of Ukrainian wheat are expected to begin 2021 at only around 4.5mn t, given that 13mn t was exported during the first half of the 2020-21 marketing year, and with the Ukrainian government imposing a 17.5mn t export cap for the season.

Ukrainian wheat has already lost its competitiveness with Australian origin on the Asian market, but key buyers of Russian wheat, such as Turkey, Egypt and Morocco, may shift to wheat shipments from Ukraine. Ukrainian exporters have accumulated significant volumes of wheat in storage at ports and may be able to meet any sharp increase in demand, in the short term at least.

As the year progresses, the wheat market will focus more on new wheat crop conditions in the Black Sea region. Russian farmers increased planted areas for winter wheat this autumn to record levels, but the market has concerns about the crop condition, which is believed to be the worst in 20 years because of a lack of soil moisture during planting.



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# ...with a major focus on prices

## BLACK SEA WHEAT SPOT PRICES

Black Sea Wheat fob prices						\$/t
	Loading	Bid	Offer	Mid	±	
Wheat 12.5% fob	Spot	267.00	277.00	272.00	+1.00	
Wheat 11.5% fob (UW1)	Spot	267.00	277.00	272.00	+1.00	
Wheat Feed fob	Spot	262.50	272.50	267.50	+1.25	
Wheat 12.5% fob Russia (Novorossiysk)	Spot	269.00	280.00	274.50	+1.00	

Ukraine Wheat cpt prices						\$/t
	Loading	Bid	Offer	Mid	±	
Wheat 12.5% cpt	Spot	268.00	272.00	270.00	+8.50	
Wheat 11.5% cpt (UW2)	Spot	268.00	272.00	270.00	+8.50	
Wheat Feed cpt	Spot	265.00	269.00	267.00	+8.50	

### Argus publishes:

- Ukraine fob and cpt spot and forward prices for wheat and corn
- Russia 12.5% spot fob wheat price
- China CFR soybeans forward curve (7 months forward)
- Brazil soybeans fob Paranagua premiums, Brazil corn fob Santos
- Rapeseed oil fob Dutch mill spot and first 3 of forward three-month periods

## UKRAINE WHEAT FOB FORWARD PRICES

Ukraine wheat fob forward prices						\$/t
	Loading	Bid	Offer	Mid	±	
Wheat 12.5% fob Ukraine	Jul	272.00	282.00	277.00	+8.50	
	Aug	277.00	283.00	280.00	+11.00	
	Sep	279.00	285.00	282.00	+11.00	
Wheat 11.5% fob Ukraine	Jul	272.00	282.00	277.00	+8.50	
	Aug	277.00	283.00	280.00	+11.00	
	Sep	279.00	285.00	282.00	+11.00	
Wheat Feed fob Ukraine	Jul	266.00	277.00	271.50	+8.00	
	Aug	269.00	279.00	274.00	+9.75	
	Sep	270.00	280.00	275.00	+9.00	

Ukraine wheat fob new crop prices						\$/t
	Loading	Bid	Offer	Mid	±	
Wheat 12.5% fob Ukraine	Jul	272.00	282.00	277.00	+8.50	
	Aug	277.00	283.00	280.00	+11.00	
	Sep	279.00	285.00	282.00	+11.00	
Wheat 11.5% fob Ukraine	Jul	272.00	282.00	277.00	+8.50	
	Aug	277.00	283.00	280.00	+11.00	
	Sep	279.00	285.00	282.00	+11.00	
Wheat Feed fob Ukraine	Jul	266.00	277.00	271.50	+8.00	
	Aug	269.00	279.00	274.00	+9.75	
	Sep	270.00	280.00	275.00	+9.00	

## UKRAINE WHEAT CPT FORWARD PRICES

Ukraine wheat cpt forward prices						\$/t
	Loading	Bid	Offer	Mid	±	
Wheat 12.5% cpt Ukraine	Jun	261.00	267.00	264.00	+6.00	
	Jul	261.00	267.00	264.00	+6.00	
	Aug	263.00	269.00	266.00	+6.00	
Wheat 11.5% cpt Ukraine	Jun	261.00	267.00	264.00	+6.00	
	Jul	261.00	267.00	264.00	+6.00	
	Aug	263.00	269.00	266.00	+6.00	
Wheat Feed cpt Ukraine	Jun	256.00	262.00	259.00	+6.00	
	Jul	256.00	262.00	259.00	+6.00	
	Aug	258.00	264.00	261.00	+6.00	

Ukraine wheat cpt new crop prices						\$/t
	Loading	Bid	Offer	Mid	±	
Wheat 12.5% cpt Ukraine	Jul	261.00	267.00	264.00	+6.00	
	Aug	263.00	269.00	266.00	+6.00	
	Sep	263.00	269.00	266.00	+6.00	
Wheat 11.5% cpt Ukraine	Jul	261.00	267.00	264.00	+6.00	
	Aug	263.00	269.00	266.00	+6.00	
	Sep	263.00	269.00	266.00	+6.00	
Wheat Feed cpt Ukraine	Jul	256.00	262.00	259.00	+6.00	
	Aug	258.00	264.00	261.00	+6.00	
	Sep	258.00	264.00	261.00	+6.00	



# Methodology developed in close consultation with traders

## Argus UW1 (fob Ukraine 11.5% wheat)

### **fob Ukraine (Odessa or ports around Odessa)**

**Classes:** 11.5pc protein (UW1), 12.5pc protein and feed grade

**Timing:** market information received after 5.30pm UK time may not be considered for inclusion in the assessment

**Loading period:** 15-45 days forward of the date of assessment

**Cargo size:** standardised to 25,000-50,000t. Information about larger or smaller cargoes may be considered for inclusion in the assessment if it is deemed relevant to the price of a standard cargo.

## Argus UW2 (cpt Ukraine 11.5% wheat)

### **cpt Ukraine (Odessa or ports around Odessa)**

**Classes:** 11.5pc protein (UW2), 12.5pc protein and feed grade

**Timing:** market information received after 3pm Kyiv time may not be considered for inclusion in the assessment

**Delivery period:** 30 days forward of the date of assessment

**Cargo size:** standardised to 1,000-10,000t. Information about larger or smaller cargoes may be considered for inclusion in the assessment if it is deemed relevant to the price of a standard cargo.

- Argus London and Kyiv teams receiving up to 30 submissions per week for Ukrainian fob wheat pricing, during the export season so far
- Contributor breakdown:
  - Trading firms;
  - Agro holdings;
  - Brokers
  - Producers

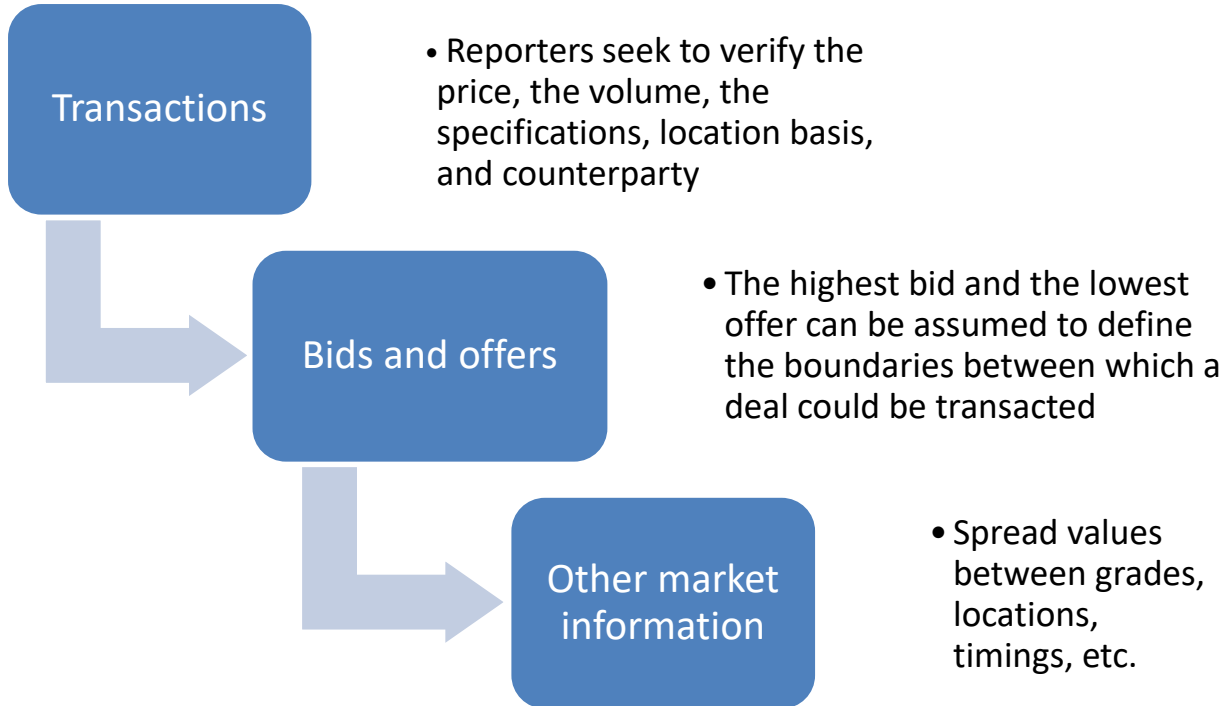


Argus AgriMarkets methodology available online <https://www.argusmedia.com/-/media/Files/methodology/argus-agrimarkets.ashx>

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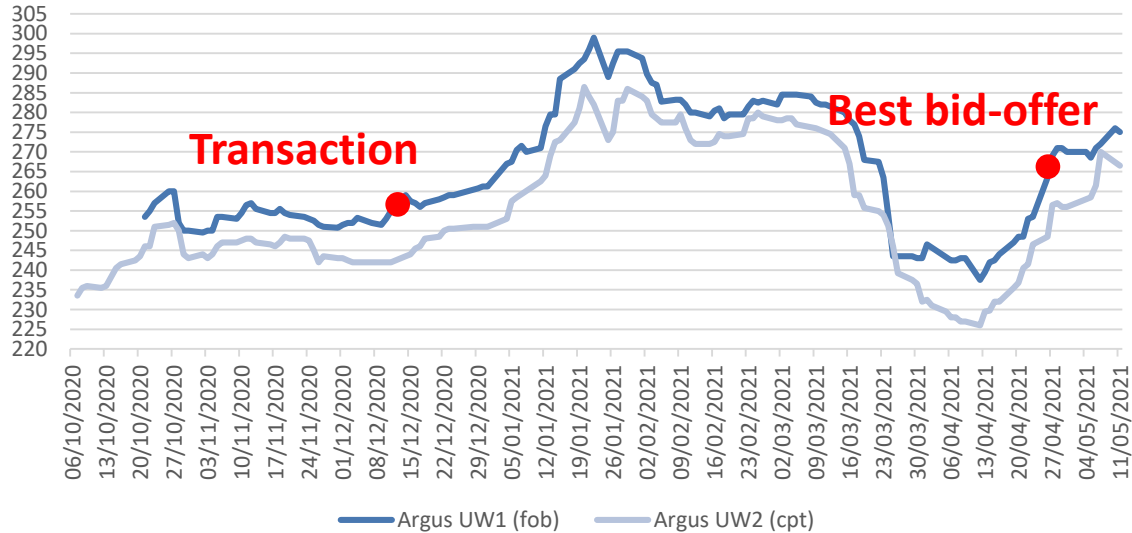
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# How Argus assesses agricultural products market



# Argus Ukraine wheat assessments reflect deals done

Argus UW1 vs UW2 (USD/t)



## UW1 price assessment:

**14 December 2020 - \$259/t**

Confirmed transaction:  
30,000t of Ukraine 11.5%  
sold at **\$259/t** fob Odessa for  
January delivery within bid-  
offer range of \$254-262/t  
heard on that day

**27 April 2021 - \$269/t**

No transactions heard  
Midpoint of the best bid-offer  
range of \$267-271/t

# Concluding thoughts

- Agritel's strong relationships with farmers and co-ops provide a key point of differentiation for Argus;
- Our extensive usage in cash settled commodity swaps means we are well placed to partner with Euronext;
- Increase of Black Sea share in global wheat exports, with strong volatility on the Russian/Ukrainian wheat spread;
- Argus UW1 and UW2 (Ukrainian 11.5% wheat FOB & CPT) pricing based on a clearly defined methodology, reflective of deals done in the market

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