

Policy Backgrounder: Global Food Security

Ukrainian Grain Exports and Global Wheat Production

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*This serves as an update to our Policy Backgrounder "[Global Food Prices and Inflation](#)," reporting on CED's Trustee Roundtable with Professor **Edwin Price**, Department of Agricultural Economics, Texas A&M University and including CED Trustees **David Smith**, Chief Executive Officer, Associated Wholesale Grocers; **Jason Potter**, Chief Executive Officer, Fresh Market; and **Laura Karet**, Former Chair and CEO, Giant Eagle, Inc.*

Goeconomic risks and severe weather have kept wheat prices volatile. Effects from an expected El Niño season and the escalation of tensions between Russia and Ukraine in the Black Sea have deeply impacted wheat markets this year. According to USDA's November 2023 [World Agricultural Production](#) report, global wheat production for marketing year (MY) 2023/24 is projected at 781.98 million metric tons (mmt), down 0.95 percent from the previous year. Global wheat yield is projected at 3.51 metric tons per hectare (t/ha), down from 3.58 t/ha in 2022/23

In the absence of a renewed Black Sea Grain Initiative, Ukraine has been exporting its wheat from the ports of Reni and Izmail on the Danube River. Ukraine and Romania in August signed an [agreement](#) to work together to boost export of Ukrainian grain bound for African and Asian markets through Romania and onwards to Turkey.

- According to USDA's November 2023 [Grain: World Markets and Trade](#) report, Ukraine has exported 4.8 million tons of wheat¹ by all routes so far during the current marketing year (July/June), down 500,000 tons from the same period last year.
- The cost of insurance against military risks for exporters of all products from Ukraine remains a severe challenge. To make the Black Sea corridor more accessible to exporters, Ukraine and Britain [agreed](#) Tuesday on a special mechanism for discounts on war risk insurance on exports through the Black Sea corridor.
- US wheat prices continue to be [pressured](#) by abundant competitor supplies and relatively slow export sales. The 2023/24 season-average farm price stands at \$7.20 per bushel, down from \$8.83 during the same period the year prior.
- US wheat imports are forecast at the [highest level](#) in six years. The current year's high import forecast is driven by large imports from the EU. Drought conditions affected production of Hard Red Winter (HRW) wheat, motivating buyers to buy from nontraditional sources. EU growers, specifically Poland and Germany, typically produce high-protein wheat, which industry sources believe is intended to supplement US HRW for domestic milling use.

Ukrainian Grain Exports

On July 17, Russia [suspended](#) its participation in the Black Sea Grain Initiative, claiming that restrictions on shipping and insurance hampered its own agricultural trade, even though Moscow shipped record

¹ Source: Ukraine State Customs Service through October 2023

amounts of [wheat](#) last year, and Russian [fertilizer](#) exports have also risen. Because Russia has withdrawn security guarantees for ships in the northwestern Black Sea, access to Ukrainian ports is suspended, as the vessels are not able to obtain insurance to transit those waters. The Russian defense ministry says it regards all cargo ships in the Black Sea as potential military targets and launched a series of [missile attacks](#) on Ukraine's Black Sea ports. On October 13 the Ukrainian government said that Russia had [destroyed](#) nearly 300,000 metric tons of grain since July in attacks on Ukraine's port facilities and on ships.

Ukraine has been exporting an [increasing amount](#) of grain from the ports of Reni and Izmail, on the Danube River. In August, Ukraine and Romania signed an [agreement](#) to work together to boost export of Ukrainian grain through Romania, with the two countries' prime ministers discussing ways to improve infrastructure for transportation across river, rail, road, sea, and border crossings. Leaving Romania, ships pass through Romanian, Bulgarian, and Turkish waters to reach the Bosphorus -- as all are NATO members, the risk of Russian attack there is reduced than if ships transited the Black Sea in a more direct route as during the Black Sea Grain Initiative. The new route has been a success, though export levels are down somewhat from the figures when the Initiative was in place.

Reuters [reported](#) that 700,000 tons of grain and 1.3 million tons of agricultural products and cargo have departed from Ukrainian ports via the new route as of October 26. Ukraine transport authorities on November 9 [estimated](#) that 91 vessels had exported 3.3 million metric tons of agricultural and metal products via the corridor. However, when a Russian missile hit a civilian vessel in an Odesa region port last week, brokers saw a rise in freight prices. "This (attack) is of course bad, it affects the cost of freight and the willingness of traders to buy grain from us and work with Ukraine," said Ukrainian Agriculture Minister Mykola Solsky.

Because of Russia's consistent targeting of the route and Odesa region, war insurance remains a critical issue. Ukraine and Britain [agreed](#) Tuesday on a special mechanism for discounts on war risk insurance on exports through the Black Sea corridor. Ukrainian Prime Minister Denys Shmyhal said the special mechanism involves 14 insurance companies. "It will make it possible to make a discount on the cost of insurance against military risks for exporters of all products from Ukraine. This will make the Black Sea corridor more accessible to a wide range of exporters," said Shmyhal at Tuesday's meeting.

Total Ukrainian grain [exports have fallen](#) to 9.8 million metric tons as of November 6 for the 2023/24 July-June marketing season, from 14.3 million tons the season prior. Ukraine's government expects a harvest of 79 million tons of grain and oilseeds in 2023, with exportable surplus for the 2023/24 season totaling approximately 50 million tons.

Global Wheat Production

According to USDA's November 2023 [World Agricultural Production](#) report, global wheat production for marketing year (MY) 2023/24 is projected at 781.98 million metric tons (mmt), down 0.95 percent from the previous year. Global wheat yield is projected at 3.51 metric tons per hectare (t/ha), down from 3.58 t/ha in 2022/23.

Ukraine wheat production is estimated at 22.50 mmt, down 4.65 percent from last year. Wheat yield is estimated at 4.50 t/ha, down 4.65 percent from last year. According to USDA's November 2023 [Grain: World Markets and Trade](#) report, Ukraine's wheat exports are forecast up 1.0 million tons this month to 12.0 million.

Russia² wheat production is estimated at 90.0 mmt, down 2 percent from last year and up 13 percent from the five-year average. Total wheat yield is estimated at 3.10 t/ha, down 2 percent from last year's

² USDA crop forecasts for Russia exclude estimated output from Crimea.

record but up 9 percent from the five-year average. According to Russia's Ministry of Agriculture, total wheat harvest is 97 percent complete as of November 2.

Argentina wheat production is estimated at 15.0 mmt, down 20 percent from last year. Wheat yield, however, is estimated at 2.73 t/ha, up 20 percent from last year. Below-average rainfall caused below-average crop conditions in recent months, but late October rainfall improved crop conditions in the province of Buenos Aires which produces 42 percent of Argentinian wheat.

Brazil wheat production is estimated at 9.4 mmt, down 11.32 percent from last year. Wheat yield is estimated at 2.76 t/ha, down 19 percent from last year's record. Record precipitation last month – over 120 percent the normal amount in the northern part of the state of Rio Grande do Sul, has reduced grain quality and productivity potential. The wheat harvest currently stands at 67 percent complete; in comparison to 40 percent at this time last year.

US Wheat Outlook

US wheat production for MY 2023/24 is projected at 49.31 mmt, up 9.84 percent from last year. Wheat yield is estimated at 3.27 t/ha, up 4.47 percent from last year.

Farmers produced a hard red spring wheat crop during the dry 2023 growing season that was [better than expected](#), according to Jim Peterson, North Dakota Wheat Commission policy and marketing director. Total production stood higher this year than last year, with the quality of the 2023 crop graded higher as well. Higher yields in some spring wheat states combined with an increase in planted acreage is responsible for the nearly 4.5 percent increase in yield for the current MY. While the US saw higher hard red wheat production this year than last, durum production was lower for MY 2023/24 than the year before. Studies show that the quality of the durum crop like the hard red spring wheat crop was good overall, there was variability across some growing areas due to rain and a long harvest period.

According to USDA's [Wheat Outlook: November 2023](#), US all-wheat imports are forecast at 145 million bushels, the highest amount since MY 2017/18. The current year's high import forecast is driven by large imports from the EU. Drought conditions affected production of Hard Red Winter (HRW) wheat in consecutive seasons, motivating buyers to purchase from nontraditional sources. As a result, US buyers began purchasing wheat from the EU, specifically Poland and Germany. These countries typically produce high-protein wheat, which industry sources believe is intended to supplement US HRW for domestic milling use.

US wheat exports remain behind last year's numbers but have picked up in recent weeks. Total US commitments (the sum of accumulated exports and outstanding sales) stand at 11.7 million metric tons, down 6 percent from the same point last year. The full MY forecast stands at 700 million bushels, 8 percent below the 759 million bushels exported the previous year.

Looking Forward

Geoeconomic risks and severe weather have kept wheat prices volatile. Effects from an expected El Niño season and the escalation of tensions between Russia and Ukraine in the Black Sea have deeply impacted wheat markets this year. The sensitivity of the global market was made clear last week when a missile damaged a merchant ship in the Ukrainian port of Pivdennyi, raising [war risk insurance](#) premiums as much as 3 percent from that incident. The security of Ukraine's humanitarian corridor is essential to maintaining relatively stable global prices of grain. The return to price volatility would most significantly impact [developing countries](#), many of which depend on these grain exports to meet wheat demand.

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