Logistics & Market Challenges 1 year after UA – Russian war

March 16th 2023

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UA New Export Configuration

Export flows breakdown :

GRAND TOTAL (1+2)	**39,212,888**	**100%**
1- Corridor (3 seaports)	**19,063,575**	**49%**
Danube river ports	*8,783,676*	*22%*
Railway	*7,128,722*	*18%*
Trucks	*3,960,523*	*10%*
Ferry	*276,392*	*1%*
2- Non corridor	**20,149,313**	**51%**

Farmers adjusting :

- Go direct exports
- Investments in driers, crushers
- Train loaders - exporters
- Big bags in ore train cars

Change in origination:

- End of forward contract -> spot market only
- Port logitics onwners are sole exporters

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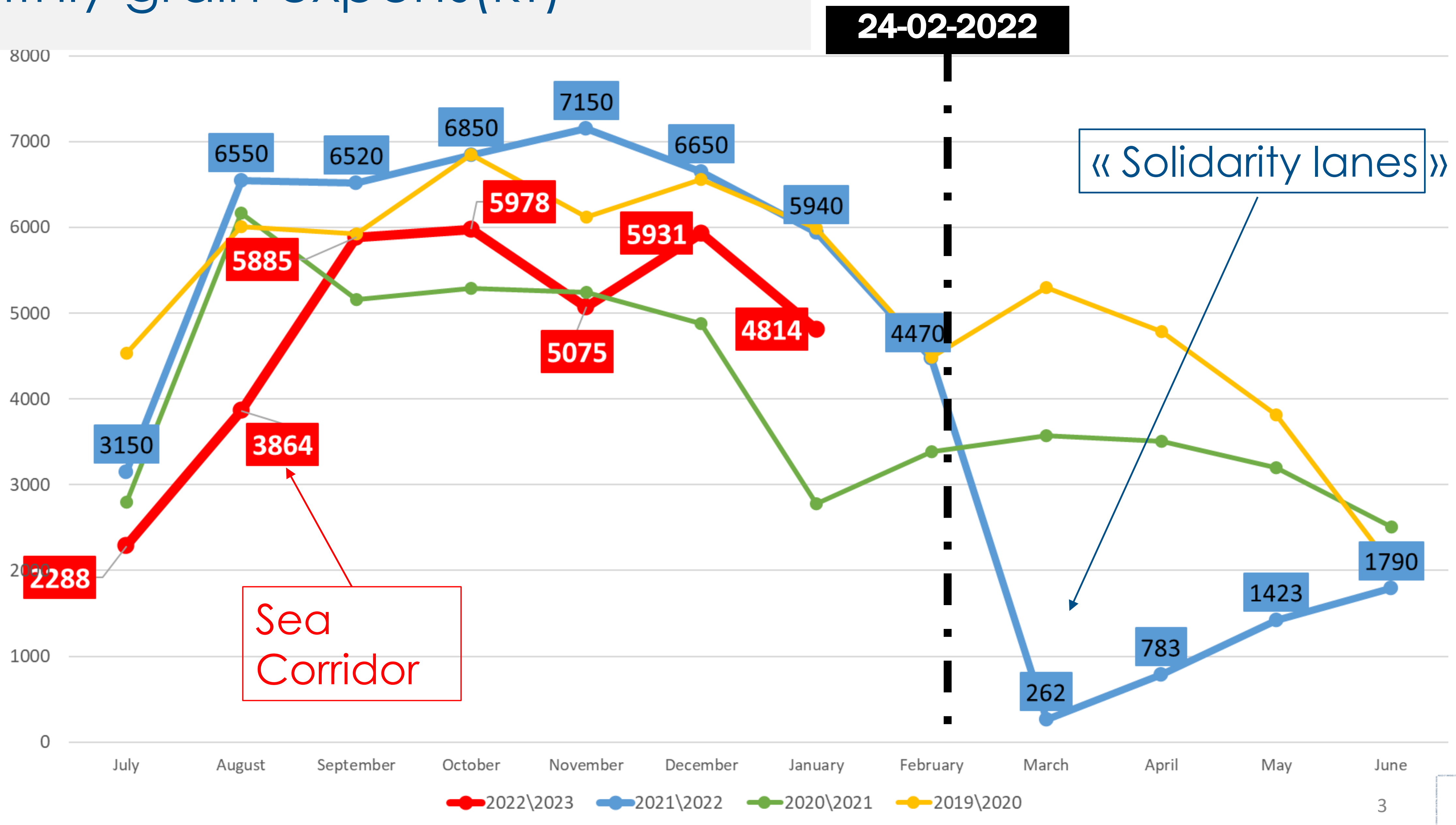
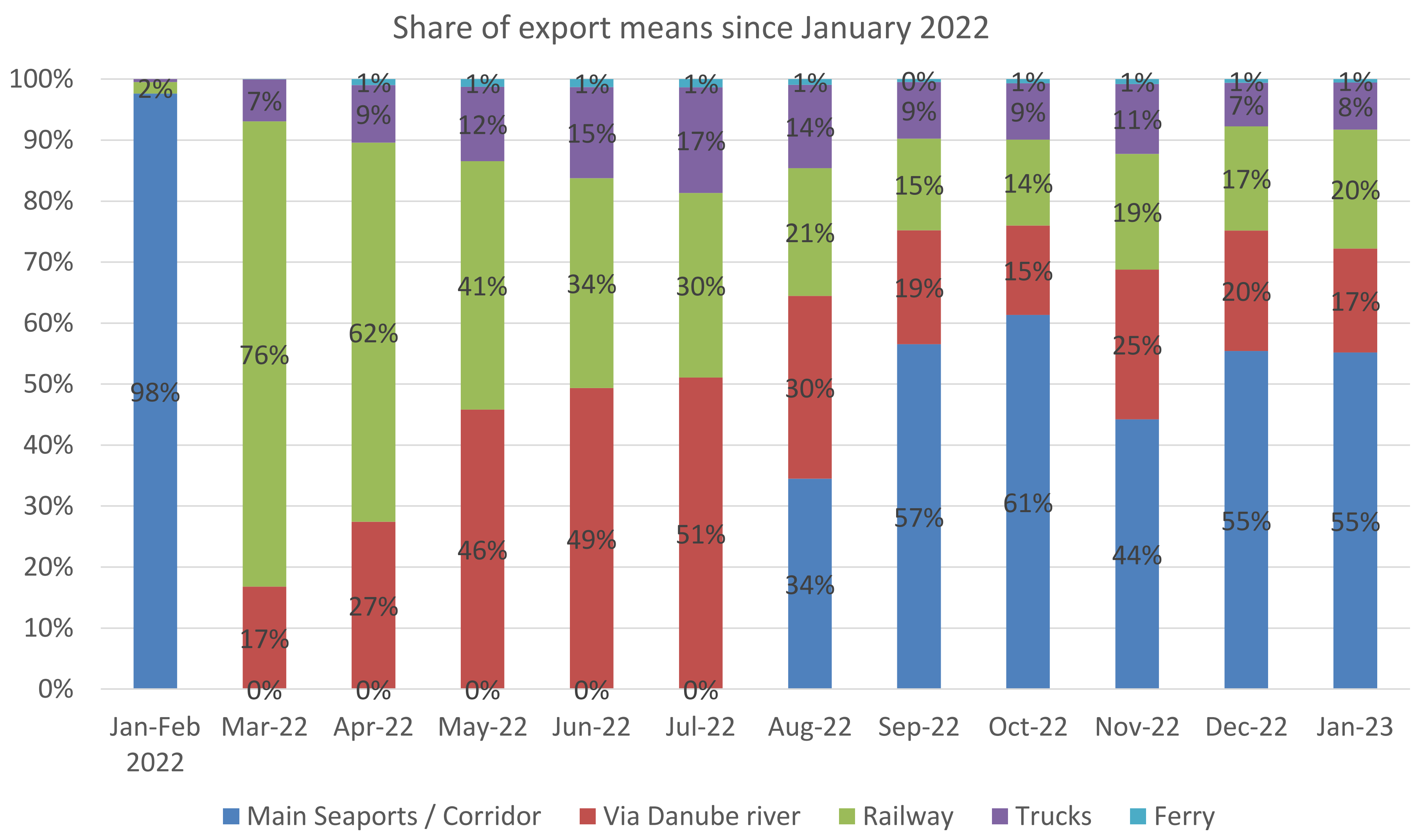
Monthly grain exports(kT)



Export mix since the war



Export through Solidarity Lanes : +115 $/t min.

- Transport costs : +100$/t vs. Big Odessa + disch. Cost .
- Fobbing costs CSTA: x2 (+6$/t)
- Risk / Cautious Margin for going through the borders (delay occurring potential default on the sales).

Export through Big Odessa: +70 $/t min.

- Transport Costs: +10-15 $/t vs. pre-war.
- Fobbing costs UA: x2.5 (+15 $/t)
- War & freight insurance costs : +35 $/t vs. same trip from CVB (CSTA, Varna, Burgas).
- Risk / Cautious Margin for going through Corridor & ICC check (Min 40 days in& out waiting time).

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Reactions from the farmers on the Ukrainian imports (1)

- While the removal of all tariffs on the Agri products from Ukraine has been widely welcomed by almost all industries and the global community sees them as the right thing to do, concerns were voiced by the farmer' organizations in many Eastern European countries.
- The region's governments are calling for an "urgent response" to soften the impact after grain imports into the EU Member States bordering Ukraine shot up to millions of tons last year, from a few thousand tons in prior years.
- Farmers argue that Ukrainian produce is "unreachably cheaper" due to lower structural costs (but also because farmers are subject to less stringent controls in terms of pesticide use). They find that this create unfair competition.
- Requested or suggested measures are:
  - Assuring that the products are only admitted as transit through bordering countries – potentially by sealing the transportation vehicles. It is however unclear how it can be managed logistically.
  - Financial support from the EU in form of subsidies.

Reactions from the farmers on the Ukrainian imports (2)

- Polish farmers, in particular, have complained that the absence of tariffs on agricultural goods is attracting unprecedented volumes of Ukrainian grain into the local market that, instead of being moved out of the country, and compete directly with domestic production.
- Farmers in Bulgaria, meanwhile, say they can't make money from growing sunflower seeds, the country’s export staple. A 20-fold surge in Ukrainian imports has forced prices down by nearly a half. More than three-quarters of the local crop has been displaced from processors.
- At an EU farm ministerial meeting a few weeks ago in Brussels, Poland, Bulgaria, the Czech Republic, Hungary, Romania and Slovakia called to limit surging imports of Ukrainian grain and to compensate affected farmers.
- COCERAL members all strive to export through the Black Sea corridor, because this is what makes most sense, even though shipment by truck, rail or barges may sometimes be the preferred option. However, there are local players who have become active with the war and do not have access to the logistics required for shipments by sea.

BS Grain (wheat) Market dynamics

- Huge Russian wheat crop has been marketed aggressively for the past 4 months into large international tender (TMO, Egypt, Algeria, Iran, Other Middle East incl Saudi)

- The large majority of the sellers are Russian companies and not acting as international trader (switching origin for value)

- Western Black Sea (C – V – B) has missed the flow and only capture spot execution based on uncertainties due to UA Sea Corridor (inspection time at JCC)

- Downward pressures on cash market spilling over in Northern EU (Germany / Poland) and in less extend into French
- Additional dilemma for Farmers neighbouring UA

General logistic challenges in EU

- General difficulties to adjust in-land massified logistics to erratic export flows & industrial flows
  - long term commitment opposed to spot export market (very true in rail logistics)
  - old infrastructure that need massive investment (river locks & secondary railway)
  - climate change challenging river water level
  - transport de-carbonation would need also massive investments
  - HR : change of generation (barge, truck drivers, etc) and attractiveness of our logistics jobs

➔ Large costs pressure in front of us that will diminish our relative competitiveness

- COCERAL has newly created a Sub-Committee to have an in-depth discussion on the impact of these issues on grain and oilseed trade

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