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Black Sea Wheat Supplies to Flow Until End of Season

By The Moscow Times

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Black Sea wheat producers have enough in stock to keep some exports flowing for the last two months of the season, keeping pressure on the world market, which had all but written them off.

Ukraine and Russia have almost exhausted their exportable surplus for the 2012/13 season due to lower harvests last year and a high pace of shipments in the first half of this season due to high foreign demand and lucrative prices, analysts said.

The two, which have already sold more than 20 million tons of wheat abroad this season, can export no more than 1 million tons of the commodity in the remaining two months of the 2012/13 marketing year.

Analysts and traders forecast that Russia, which exported 27 million tons of wheat in 2011/12, was likely to export about 250,000-500,000 tons of wheat during May and June despite low stocks.

Last week, Ukraine, the sixth-largest wheat exporter this season according to USDA estimates, lifted restrictions on wheat sales, and analysts estimate the volume of additional exports will be up to 300,000 tons.

Continued Black Sea exports, although severely reduced, are a headache for competitors.

"Weak EU wheat exports of 237,000 tons in the last reporting week point to growing competition as a result of cheap supply from the U.S. and the resumption of exports from the Black Sea region," said Commerzbank in a daily commodities note.

Traders estimated that Black Sea wheat was trading at around a $30 per ton, cheaper than U.S. soft red wheat on a cost and freight basis to North Africa.

"The world wheat balance sheet is not as tight as some people speculated it could have been," said a European trader.

"The only reason the EU sustained an export program for as long as it did and the size that it did was because of the problems in South America with production ... and the Black Sea wouldn't allow anymore exports."

Traders said North African destinations in need of imports were likely to hold off until the new crop became available from July.

"Demand is slow because consumers are bearish. They're going to buy as little as possible until the new crop comes," said a European trader.

Historically the world's No. 3 wheat exporter, Russia has already exported 15 million tons since the start of the 2012/13 season and has beaten official forecasts, said Dmitry Rylko, the head of the Institute for Agricultural Market Studies.

Its wheat stocks at procurement and processing companies were down 38 percent as of April 1 from a year earlier at 6.1 million tons, data from the Federal Statistics Service showed. It did not say how much wheat was being held on farms.

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