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Asian Buyers Flock to Russian Black Sea Wheat Following Price Cut

By The Moscow Times

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SINGAPORE — Black Sea wheat is likely to regain its market share in Asia as suppliers slash prices for new crop cargoes to lure buyers, with rains boosting yields in leading producers Russia and Ukraine.

More Black Sea shipments to Asia could offer stiff competition to Australia, the world's fourth-largest exporter of the grain, already struggling with slower sales this year on faltering demand from China and other importers.

"They are offering very attractive prices, I think we will see a lot of business for Black Sea wheat done in Asia," said a Singapore-based trade manager with an international trading company.

"End-users haven't booked any cargoes yet because prices continue to fall. Buyers will start locking in shipments once there is some stability in the market," he added, declining to be named as he was not authorized to speak with media.

Black Sea wheat to Asia for July-August shipment is being offered at $210 a ton, including cost and freight, down from $240-$250 a ton two weeks ago.

That compares with $245 a ton C&F for a similar standard of Australian wheat.

Back in Black

Benchmark Chicago wheat has lost nearly 8 percent this month, dragged down by improved global crop weather and dwindling demand for pricey U.S. cargoes.

"We have seen large trading companies book cargoes on a free-on-board basis, but millers are just waiting and watching," said a second Singapore trader.

Black Sea sales to Asia could climb to around 6-7 million tons in the year to June, 2016, a level not seen for a couple of years and up from an estimated 4-5 million tons in 2014-15, two grains traders said.

Thailand and South Korea each could take close to 1 million tons for animal feed if prices remain competitive, traders said, while the Philippines needs about 500,000 tons of feed wheat a year.

The region's top buyer Indonesia is expected to import Black Sea wheat to blend with higher quality grain from Australia and North America for flour, traders said.

Conflict in Ukraine and weaker local currencies in the region could encourage farmers and exporters to boost overseas sales.

Black Sea wheat exports to Asia have taken a hit this year with Russia imposing an export tax to cool domestic food inflation and with suppliers such as France, Brazil and Uruguay boosting shipments due to cheaper freight rates.

"[But] France is at the end of marketing their crop and we are seeing offers from Brazil reducing in months ahead," said the second Singapore trader.

India, which typically competes with Black Sea suppliers, is expected to shy away from exports, with unseasonal rains damaging crops in the past month.

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