

DER AGRARHANDEL e.V. – Berlin / Hamburg

Maja Bakran Marcich
Deputy Director-General
European Commission
Directorate-General for Mobility and Transport

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The logistics of grain and oilseeds from Ukraine – situation report

Dear Mrs. Maja Bakran Marcich,

we are very concerned about the situation in Ukraine. Unfortunately, we are dismayed to see that there has been no improvement in the export of agricultural products from Ukraine by land for months. The core problem continues to be the acceleration of border clearance at the EU border with the UKR. For the supply of the importing countries, which are in urgent need of the food, but also for the farms in Ukraine, the enormous challenge is to bring the harvested quantities to the market. But the queues for the trucks are currently up to 38 km, and there are waiting times of 5-6 days. This circumstance corresponds to a 25% destruction of the value of the goods. Time is running out: If it is not possible to ease this situation in the next few weeks, it would be a fatal signal for the world markets. And thus the supply crisis would quickly continue into the coming business year.

We have attached a detailed description of the current situation. We hereby appeal, with all urgency, to do everything in your power to defuse the situation in Ukraine.

Please do not hesitate to contact us if you have any questions.

Sincerely yours


Martin Courbier
Secretary General


Christof Buchholz
Secretary General

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In Ukraine, harvesting of barley, wheat, rye, and canola is largely complete where harvesting was possible. Sunflower, soybeans and especially corn will then be harvested from late September into November or occasionally beyond.

In its most recent estimate, dated August 12, 2022, the U.S. Department of Agriculture (USDA) projects a grain harvest of nearly 57 million tons, including 19.5 million tons of wheat, 6.4 million tons of barley, 285,000 tons of rye and 400,000 tons of oats. Due to very good weather conditions, which are also confirmed by farmers on the ground, the estimate for corn has been increased significantly from 25 to 30 million tons. For oilseeds, US analysts expect production of 9.5 million t of sunflower, 2.8 million t of soybeans and 3.3 million t of rapeseed, for a total of 15.6 million t (table on the following page).

According to the USDA, Ukraine would thus harvest almost 73 million t of threshed crops compared to about 67 million t forecast by the Ministry of Agriculture of Ukraine, with the difference lying in particular in the significantly more positive harvest expectation for corn.

The big challenge this year and next year is now to bring the harvested volumes to the market. This is important (1) for supplying the importing countries, which are in urgent need of the food. But it is also important (2) for the livelihood of farms in Ukraine, which need to market their crops at the highest possible prices to generate sufficient cash for fall sowing, rent and wages. Against this background, estimating Ukraine's export potential is important.

In its monthly reports, USDA also makes an estimate of supply and demand statistics of individual countries, and thus of Ukraine. In addition to production, it estimates domestic consumption, trade, and the resulting ending stocks. For total cereals, the USDA assumes exports of approximately 25 million tons. Added to this are exports of oilseeds of about 5.3 million tons, vegetable oils of about 4 million tons and oil meals of 3.3 million tons. In total, around 38 million tons of agricultural products are to be exported.

These 38 million tons can thus be interpreted as an estimate by the USDA of the amount of agricultural commodities that will actually be exported under the extremely difficult logistical conditions via the Black Sea ports around Odessa and by land to the south and west. However, they do not represent the country's actual export potential, which is significantly bigger.

Ukraine: Grain and Oilseed S&D
Source: USDA August 2022

Grain	Ukraine	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
	Beginning Stocks	4.832	4.146	3.598	4.054	3.159	13.215
	Area Harvested	14.242	14.311	15.247	15.390	16.076	12.120
	Production	61.094	69.605	75.752	65.044	86.553	56.975
	Imports	199	221	243	296	256	220
	Total Supply	66.125	73.972	79.593	69.394	89.968	70.410
	Exports	40.273	50.096	55.096	45.000	49.258	25.330
	Feed Use	11.740	10.827	11.187	11.852	18.236	18.917
	FSI Use	9.832	9.331	9.107	9.255	9.130	8.330
	Total Use	21.706	20.278	20.443	21.235	27.495	27.382
	Ending Stocks	4.146	3.598	4.054	3.159	13.215	17.698
Oilseeds	Ukraine	2017/18	2018/19	2019/	2020/21	2021/22	2022/23
Rapeseed	Production	2.217	2.850	3.465	2.750	3.015	3.300
	Exports	2.118	2.493	2.996	2.396	2.700	2.850
	Crush	145	360	450	300	400	450
	Ending Stocks	3	4	29	151	76	81
Soybeans	Production	3.985	4.831	4.499	3.000	3.800	2.800
	Exports	2.757	2.531	2.633	1.466	1.200	1.300
	Crush	1.060	1.880	1.850	1.350	1.300	1.200
	Ending Stocks	76	223	92	102	901	900
Sunflower	Production	13.700	15.000	16.500	14.100	17.500	9.500
	Exports	39	105	53	191	1.800	1.250
	Crush	13.750	14.800	16.425	13.750	10.500	9.500
	Ending Stocks	172	140	58	141	4.814	2.974
Edible Oils	Ukraine	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Oil Rapeseed	Production	58	145	183	122	163	183
	Exports	60	145	184	103	170	185
	Ending Stocks	0	1	1	20	13	11
Oil Soy	Production	194	350	340	248	238	220
	Exports	192	334	338	232	240	230
	Ending Stocks	5	20	20	34	30	18
Oil Sunflower	Production	5.913	6.364	7.390	5.913	4.515	4.085
	Exports	5.342	6.063	6.686	5.273	4.350	3.600
	Ending Stocks	279	35	189	279	39	104
Meal	Ukraine	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Meal Rapeseed	Production	84	208	257	171	228	257
	Exports	71	163	197	130	190	215
	Ending Stocks	0	2	12	8	6	8
Meal Soybeans	Production	838	1.480	1.460	1.067	1.027	948
	Exports	365	777	724	492	450	450
	Ending Stocks	28	184	324	251	231	232
Mean Sunflowerseed	Production	5.679	6.112	6.455	5.679	4.337	3.924
	Exports	4.238	4.808	5.181	4.396	3.200	2.700
	Ending Stocks	334	293	227	237	226	252
Ending Stockss		5.043	4.500	5.006	4.382	19.551	22.278
Total exports		55.455	67.515	74.088	59.679	63.558	38.110
Exports per month		4.621	5.626	6.174	4.973	5.297	3.176

The USDA makes the widely criticized assumption that domestic consumption of cereals is expected to increase significantly from about 21 million tons of cereals in 2017/18 to 2020/21 to more than 27 million tons in the 2021/22 and 2022/23 marketing years. However, with the decline in Ukraine's population triggered by flight and displacement and the expected reduction in livestock numbers, instead of an increase in consumption, a significant decline is likely. Further, USDA forecasts a continued increase in the country's ending stocks. Whereas before the war ending stocks of 3 to 4 million t and thus stocks in relation to domestic consumption of 20% were the norm, by the end of June 2022 there would have been 13.2 million t of grain, which is then expected to grow to just under 18 million t at the end of the grain marketing year. That would be over 65% of consumption! Based on these figures, the actual export potential of Ukraine can be estimated. In addition to the 38 million t, it is possible to calculate at least 7 million t resulting from overestimated consumption and a further 13 million t from stockpiling, resulting in an actual required export potential of 55 to 60 million t for Ukraine.

The logistics challenge is very high in both scenarios. Even the lower 38 million t require monthly exports of just under 3.2 million t. If the full export potential is to be exploited, then 4.5 to 5 million t of exports per month would be required.

The operators of the silo facilities in Odessa and Chornomorsk currently assume that 1.5 to 1.7 million t per month are possible via the sea route, should domestic logistics function and not be disrupted by Russian attacks. That is, the route south via Romania or west via Poland, Slovakia and Hungary will continue to be absolutely necessary to reach the country's required export potential.

In fact, especially for the grain and oilseeds harvested in western Ukraine, the route to the west is the one preferred by many farmers. Very many farmers and also traders try to transport their goods by truck in the direction of Western Europe. This is the only way to generate the necessary revenues to finance the fall sowing season and to pay the rents that are usually due in October and November.

Logistics to the west continue to prove very difficult. Despite all announcements, truck traffic jams on Ukraine's western border have continued to grow. A Dutch farmer reported a truck queue of 38 km on Thursday, August 18. By Saturday, it had advanced to 20 km. Waiting times on exit of 5 to 6 days are the norm, with another 2 days on entry, for a total of about 7 days. In the relevant chats and social networks, Ukrainian farmers and especially EU farmers operating in Ukraine are increasingly frustrated and feel abandoned. Even before the harvest, there was a lot of attention in politics and the media, but nothing has changed in the unfortunate situation.

Economically, the long waiting times at the border actually have a massive impact. For one thing, they reduce transport capacities. A truck can travel about 600 km per day. Assuming a transport distance of 1,200 km, the pure driving time for an outward and return trip would therefore be 4 days, including loading and unloading a maximum of 5 days. Thus, a truck could move up to 6 tours á 25 t per month and thus approx. 150 t. Due to the waiting times at the border, the time for a round trip increases from 5 days to currently approx. 12 days. Many farmers from Ukraine report that the trucks usually do not manage more than 2.5 round trips. This limits the transport capacity of a truck to 70 tons per month - just under half.

With the waiting times, the transport costs also rise, as evidenced by the following rough calculation. For example, a truck in Germany, including wages, depreciation, and diesel, currently costs between 650 and 700 euros a day. In Ukraine, the sum is somewhat lower, but should be at least €500. During the waiting time at the border, little diesel is consumed, but drivers and depreciation must still be earned, so that a realistic estimate is about 300 € per truck per day of waiting time. With 7 days waiting time, the costs therefore amount to 2,100 €. With a payload of 25 t, this corresponds to approx. 84 €. An alternative calculation of a Ukrainian forwarder from August 21 shows the calculation for a bulk truck with a payload of 22 tons. The costs for the transport to Western Europe are given here with 4,500 to 5,000 € per truck and thus 204 to 227 €/t. According to the forwarder, about 40% of this is due to waiting time at the border, which corresponds to about 81 to 90 €/t.

The waiting times thus significantly increase the transport costs from approx. 125 € per t to 200 to 220 €/t. With a commodity value of, for example, 330 euros per t of wheat with 11.5% protein, which a farmer can achieve in a Baltic port, 80 to 90 €/t or at least 25% of the commodity value is thus destroyed by the waiting times at the border alone.

Thus, the high logistics costs are the most important reason for the low payout prices for agricultural products in Ukraine of currently only 130 €/t for wheat compared to 330 to 340 €/t in Germany. The long waiting times at the external borders of the EU account for about 40% or 80 to 90 €/t of the total logistics costs. The waiting times thus have the same effect as an export tax: they lower the domestic price for all agricultural products by 80 to 90 €/t. As a result, Ukrainian farmers lose about 5.8 billion € in sales revenue from a harvest of 73 million tons!

Time is running out: Currently, the decision on fall sowing is being made on farms. However, many farmers are currently being forced to reduce cultivation significantly. After all, if the grain harvested this year cannot be marketed, why and, above all, with what liquid funds can the sowing for next year be managed? Based on the current situation, many market observers therefore assume that farmers will increase the cultivation of oilseeds because the significantly higher prices mean that the costs of transport are less of an issue, but that they will want to reduce the cultivation of wheat, barley, and corn instead. This is a fatal signal for the supply of the world markets. And the supply crisis will very quickly carry over to the 2023/24 grain marketing year if action is not taken quickly and the route to Western Europe is additionally opened/accelerated.

The Agricultural Trade Association

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