Why Russian/Ukraine War Is the Most Important Price Factor

Kim Anderson
Agricultural Economist

2023 Crop Price Forecasts

<table>
<thead>
<tr>
<th></th>
<th>Current</th>
<th>2023</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wheat</td>
<td>$ 9.53</td>
<td>$ 9.01</td>
</tr>
<tr>
<td>Corn</td>
<td>$ 7.50</td>
<td>$ 6.84</td>
</tr>
<tr>
<td>Soybeans</td>
<td>$13.40</td>
<td>$13.17</td>
</tr>
<tr>
<td>Cotton</td>
<td>$ 0.80</td>
<td>$ 0.71</td>
</tr>
</tbody>
</table>

BRICS

- Brazil, Russia, India, and China + S. Africa
- Bangladesh, United Arab Emirates (UAE) and Uruguay
- BRIC is an acronym for the developing nations of Brazil, Russia, India, and China. They are countries that some believe will be the dominant suppliers of manufactured goods, services, and raw materials by 2050.
- Shanghai is the headquarters of BRICS
- Replace the U.S. Dollar as international trade currency.

Russia

- 19% Wheat #1
- 13% oil #2
- 8% natural gas #4
- 19% P fertilizer
- 15% N fertilizer
- 14% K fertilizer

Oil and Gas

- 45% Federal Budget
- Russia, Saudi Arabia, U.S. top three exporters
- China largest importer
- 2nd largest producer NG
- Largest NG reserve

Russia - Ukraine
Ukraine Export Facts

- 10% world’s wheat #7
- 14% world’s corn #6
- 31% Sunflowers #1
- 4% Rapeseed (Canola) #6
- 3% Iron & Steel #5

Russia - Ukraine

Ukraine

Ukraine

Russia – Ukraine War

Russia - Ukraine
Russia - Ukraine

- Russia is gaining export facilities.
- Russia is gaining agricultural commodities to export.
- Russia is gaining political power.
- Caveat – Russia becomes a satellite of China. War is not just to gain territory.
- R/U war is “WWIII” and is an “Economic War.”
- The R/U war has impacted all aspects of commercial agriculture.

Russia – Ukraine - BRICS

- Weakens U.S. Economy
- Drains U.S. Resources – oil, gas, etc.
- Makes U.S. dependent on imports of natural resources.
- Loses control of prices.

Impact on U.S.

Wheat

Five-Year Average Wheat Production Percentages
**Key Wheat Market Factors**

- Record world production, 4th year in a row.
- Record world consumption, 4th year in a row.
- Declining world ending stocks, 4th year in a row.
- Very tight U.S. wheat stocks, especially HRW wheat.
- Value of U.S. dollar (95-January to 114 in September) -20%

**Wheat Stocks-to-Use Ratios**

<table>
<thead>
<tr>
<th></th>
<th>2017/18</th>
<th>2022/23</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>S-T-U</td>
<td>Price</td>
</tr>
<tr>
<td>World</td>
<td>38.7%</td>
<td>14.0%</td>
</tr>
<tr>
<td>U.S.*</td>
<td>55.8%</td>
<td>31.4%</td>
</tr>
<tr>
<td>HRW**</td>
<td>78.0%</td>
<td>18.0%</td>
</tr>
</tbody>
</table>

*U.S. Price is U.S. average annual price and estimated 2022/23 average annual price.

**2023 Crop Price Forecasts**

<table>
<thead>
<tr>
<th></th>
<th>Current</th>
<th>2023</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wheat</td>
<td>$ 9.53</td>
<td>$ 9.01</td>
</tr>
<tr>
<td>Corn</td>
<td>$ 7.50</td>
<td>$ 6.84</td>
</tr>
<tr>
<td>Soybeans</td>
<td>$13.40</td>
<td>$13.17</td>
</tr>
<tr>
<td>Cotton</td>
<td>$ 0.80</td>
<td>$ 0.71</td>
</tr>
</tbody>
</table>

**World Corn Export Percentages**

- U.S.: 33%
- Ukraine: 14%
- Brazil: 18%
- Argentina: 20%
- Other: 15%

**Five-Year Average Wheat Export Percentages**

- US: 13%
- Argentina: 7%
- Australia: 9%
- Canada: 12%
- EU: 15%
- Ukraine: 10%
- Russia: 19%
- Kazakhstan: 4%
- India: 1%
- Other: 10%
**World Corn Import Percentages**

- Near record world production: 46.2 Bb vs 48.0 Bb
- World corn production increased 3.6 Bb 2020-2021
- Near record world consumption: 46.5 Bb vs 47.3 Bb
- Near average world ending stocks
- Tight U.S. stocks → 1.2Bb vs 1.8 Bb → 5-year average

**Corn Stocks-to-Use Ratios**

<table>
<thead>
<tr>
<th>Country</th>
<th>5-Year Average</th>
<th>2022/23</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>S-T U</td>
<td>Price</td>
</tr>
<tr>
<td>World</td>
<td>25.8%</td>
<td>$4.30</td>
</tr>
<tr>
<td>U.S.</td>
<td>12.5%</td>
<td>$4.20</td>
</tr>
<tr>
<td>Brazil</td>
<td>5.9%</td>
<td>$6.40</td>
</tr>
<tr>
<td>Argentina</td>
<td>4.8%</td>
<td>$2.70</td>
</tr>
</tbody>
</table>

**2023 Crop Price Forecasts**

<table>
<thead>
<tr>
<th>Commodity</th>
<th>Current</th>
<th>2023</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wheat</td>
<td>$ 9.53</td>
<td>$ 9.01</td>
</tr>
<tr>
<td>Corn</td>
<td>$ 7.50</td>
<td>$ 6.84</td>
</tr>
<tr>
<td>Soybeans</td>
<td>$13.40</td>
<td>$13.17</td>
</tr>
<tr>
<td>Cotton</td>
<td>$ 0.80</td>
<td>$ 0.71</td>
</tr>
</tbody>
</table>

**World Soybean Export Percentages**

- Brazil: 52%
- U.S.: 34%
- Argentina: 4%
- Paraguay: 3%
- Other: 7%

**Soybean**
World Soybean Import Percentages

- China 58%
- SE Asia 6%
- Mexico 3%
- E.U. 9%
- Other 22%
- Japan 2%

Key Soybean Market Factors

- Record world production: 14.3 Bb vs 13.5 Bb 2020 13.0 5-yr
- Record world consumption: 13.9 Bb vs 13.3 Bb 20&21
- Near average world ending stocks
- Tight U.S. stocks → 200 Mb vs 474 Mb 5-year average
- Brazil planting record soybean acres – 105.8 Ma (88Ma US)

Soybean Stocks-to-Use Ratios

<table>
<thead>
<tr>
<th>Country</th>
<th>ST-U</th>
<th>Price</th>
<th>S-T-U</th>
<th>Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>World</td>
<td>28.4%</td>
<td></td>
<td>26.2%</td>
<td></td>
</tr>
<tr>
<td>U.S.</td>
<td>11.5%</td>
<td>$10.10</td>
<td>4.5%</td>
<td>$14.35</td>
</tr>
<tr>
<td>Brazil</td>
<td>21.6%</td>
<td></td>
<td>10.6%</td>
<td>44%</td>
</tr>
<tr>
<td>Argentina</td>
<td>48.7%</td>
<td></td>
<td>48.0%</td>
<td></td>
</tr>
</tbody>
</table>

Cotton Production

- Australia 3%
- U.S. 14%
- Turkey 3%
- Pakistan 9%
- China 25%
- India 23%
- Brazil 11%
- Other 17%

2023 Crop Price Forecasts

<table>
<thead>
<tr>
<th>Crop</th>
<th>Current</th>
<th>2023</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wheat</td>
<td>$ 9.53</td>
<td>$ 9.01</td>
</tr>
<tr>
<td>Corn</td>
<td>$ 7.50</td>
<td>$ 6.84</td>
</tr>
<tr>
<td>Soybeans</td>
<td>$13.40</td>
<td>$13.17</td>
</tr>
<tr>
<td>Cotton</td>
<td>$ 0.80</td>
<td>$ 0.71</td>
</tr>
</tbody>
</table>
Cotton Exports

Cotton Imports

Cotton Stocks-to-Use Ratios

<table>
<thead>
<tr>
<th></th>
<th>5-Year Average</th>
<th>2022/23</th>
<th>S-T-U</th>
<th>Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>World</td>
<td>75.1%</td>
<td>71.5%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S.</td>
<td>25.7%</td>
<td>50.7%</td>
<td>18.1%</td>
<td>0.96</td>
</tr>
<tr>
<td>Brazil</td>
<td>10.8%</td>
<td>109.6%</td>
<td>69%</td>
<td></td>
</tr>
<tr>
<td>India</td>
<td>38.6%</td>
<td>31.2%</td>
<td>44%</td>
<td></td>
</tr>
<tr>
<td>Australia</td>
<td>100%</td>
<td>67.6%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Questions?
Comments

Your success and quality of life is directly related to your ability to raise and sell a quality product that someone wants to buy!

kim.anderson@okstate.edu

Thank You!