Long shadows, harsh repercussions and a glimmer of hope

Roger Gilbert

Its April already and we are over one-third of our way through 2022. The long shadow of the pandemic (which has not yet left us) continues to dull our lives and our business decision making. And the milling industry - the supplier of a global consumer staple foodstuff - is not an exception.

As the harsh repercussions of the actions taken to minimise the spread of the Covid-19 virus continue to take hold, we are now entering a period where the realities of the Russian war against Ukraine may also bring an even wider range of disruption to the global food supply chain; bringing about marked price increases as a result.

Whilst global production might not be adversely impacted immediately by the shutdown of wheat and other grain exports from Ukraine, that cannot be said by those countries that have come to rely upon that country's grains.

John Buckley, our commodities correspondent, who writes for us about grain raw materials for the food and feed industry globally and has done so for longer than any of us can remember, has identified those countries at most risk and open to supply issues and price increases.

There are some 15 countries in total that look to Eastern Europe for a significant proportion of their wheat supply, with Egypt being the major consumer of both Ukraine and Russian wheats at over 50 percent of its supply.

With its 105.5 million population, Egypt is already struggling to feed its population adequately and has for many years been subsidising basic foodstuffs for those who cannot afford retail prices. The potential results from pressure put on this country to relocate supplies in future will certainly need to be monitored.

Food shortages, as we have seen in the past, coupled with increased pricing can lead to unnecessary hardship and social unrest. However, Egypt reports that it has stocks for three months and is expecting its own harvest to come in within that time frame and provide an additional three to four months worth of cover.

Hopefully, by then some resemblance of normality might have returned to the vast grain growing regions of Eastern Europe and transportation, storage and export systems once again operating - but the picture looks bleak.

Otherwise, 2022-23 might see increased demand and much smaller carryover stock of grain for 2023. But that's for John Buckley to tell us in our upcoming May 2022 edition; or you can catch his and other raw material updates on our Milling and Grain App as they happen (see the panel below this editorial for more information).

Russian and Ukraine are in the top 10 of world wheat producers, with 75.5 and 33 million tonnes respectively and accounted for 108.5 million tonnes of the 778.9 million tonnes produced in 2021-22.

We should already be looking to where our wheat and grain supplies will be coming from, as well as what the contingency plans are that we may have to adopt in the future. As I gained from an interview with Mehmet Alapala of the Alapros company when I attended IDMA and Victam Expo in Istanbul last month (see our MAGTv interview on our website or on our App), food is the number one priority for every country and while we may have shooting wars we cannot function without proper nutrition for very long.

In Ukraine I am told flour mills are continuing to run - with lights out at night to avoid attracting attention - to provide flour to households and communities direct as well as to functioning bakeries.

It's a desperate situation but millers and their staff are remaining firm at their production plants and doing their best to keep distressed populations supplied with a traditional foodstuff, flour for bread making. Our hearts go out to them!

Every March, the Milling Hall of Fame (MHoF) recognises individuals who have made a significant contribution to milling in their lifetimes, with that contribution being recorded at the Mills Archive Trust in the UK for prosperity.

This year the MHoF inducted Jamal Al-Hazaa, who is the Food Security Contributor at the Al-Hazaa Investment Group in the Middle East, on World Flour Day 2022.

Jamal Al-Hazza, an influential pioneer in the Middle Eastern milling industry, joins three other stalwarts who have been recognised for their significant contribution to flour milling in the recently established MHoF at the Flour World Museum – the Flour Sacks of the World - in Wittenburg, Germany.

We congratulate Mr Al-Hazaa and thank him for his continued dedication to our industry!

Russia & Ukraine - Some facts & figures

John Buckley

Ukraine & Russia's seasonal exports for 2021/22 are forecast 24m and 35m tonnes respectively (of world total exports forecast 208m). Russia's exports are so far running well down versus last year due to its smaller 2021 crop and its new export quota/duty system. Ukraine so far exported a lot more than last year from its bigger 2021 crop but that's now come to a halt.

Ukraine & Russia's wheat markets are heavily concentrated in the MENA (Mid-East/North Africa) region – including world's top wheat importer Egypt which relies on Russia for 50% & Ukraine about 30% of its needs (total about 13m tonnes this season). Other big 'Black Sea'* buyers Include Turkey, Algeria, Syria etc and further afield, Indonesia.

Since (and leading up to) the invasion, countries that bought Russian/Ukrainian or 'optional origin' wheat expecting it to come from these sources, are now trying to switch to alternative countries, led by Europe (France Rumania, Bulgaria, Germany).

Ukraine is a pivotal maize exporter. It 2021 crop was estimated at a record 42m tonnes, exports forecast 33.5m (versus last season's 24m). Ukraine is a key maize supplier to the EU. Of the near 11m tonnes the bloc has shipped in so far in 2021/22 season, an estimated 54% has come from Ukraine. If this dries up, the EU (forecast to import 15m tonnes in total this season) will be left short, seeking alternatives

The combination of this lost Ukrainian maize supply and greater world demand for EU wheat is one reason why the EU grain markets are trading their highest ever prices…

To continue reading this article and to read regular 'Raw Material Updates', you can download our app from:

App Store: https://mymag.info/e/1383

For Android: https://mymag.info/e/1382