

Risks & opportunities

Ukraine, Turkey, the UN & Russia sign deal to unblock Ukrainian Grain exports

by Suzana Hryhorenko, Executive Director, Seed Association of Ukraine

Since the beginning of the full-scale Russian invasion of Ukraine, the work of farmers has turned into a constant search for solutions to overcome new challenges. Ukrainian farmers completed the sowing campaign despite the danger, shelling, fuel shortages and logistical problems. But this is only part of the job. There is still harvesting, storage, and export of the crop ahead. As for the latter, the situation has become critical. Due to the blocked ports, almost 25 million tonnes of grain could not be exported from the country, and the danger of the world food crisis became more acute than ever.

Therefore, the world community actively participated in solving this issue. On July 22, after lengthy negotiations, Ukraine, Turkey, the UN and Russia signed an agreement allowing the ports to be unblocked and Ukrainian grain to be exported. But the very next day, Russia struck the Odesa port. Accordingly, all previous agreements were 'on hold' since no one could guarantee the safety of exports.

Following these events, Monday August 1, 2022 saw the Sierra Leone-flagged vessel the Razoni leave the southern port of Odesa bound for Lebanon, laden with some 26,000 tonnes of corn.

According to Turkish and Ukrainian officials, a further 16 ships were also waiting to sail out of ports in southern Ukraine, with Odesa, Chornomorsk and Pivdenny expected to be the main places of export.

It is hoped the agreement will ease the global food crisis and lower the price of grain. At the same time, the situation is becoming more critical every day. Any further dangerous delays in exports, could have dire consequences for Ukraine and the rest of the wider world.

Food crisis & price increases

The fact is that before the war, Ukraine supplied 46% of the

world's sunflower oil exports, 17% of barley, 12% of corn, and 9% of wheat.

That is, it was a fairly significant player in this market.

Although we managed to export a small portion of the crop, its value increased due to supply chain disruptions and logistics changes, leading to higher prices for many products. The same applies to other related areas. For example, suppose farmers do not harvest corn from the field because there is no export and sales.

In that case, processing enterprises cannot produce compound feed, and the animal sector (poultry and dairy farms) looks for new ways to supply through another import. As a result, the chain reaction leads to dairy, meat, eggs, and everything derived from it becoming more expensive.

So, on the one hand, we have risks of insufficient exports, and on the other, a general increase in the price of products. Such disappointing trends may lead to a food crisis and famine in Africa and the countries of the Middle East.

If prices in Europe rise, these countries will face more severe consequences - if not starvation, with many millions of citizens becoming malnourished.

Economic crisis

Due to blocked ports, almost 25 million tonnes of grain could not be sold. The agrarian sector remained without income, and many farmers could not pay loans and salaries to their workers.

All of this puts autumn and spring sowing campaigns at risk since the preparation and the sowing itself would once again require significant investments. As seeds, fertilisers, herbicides, and fuel are costly, some farmers strongly consider skipping the next season or significantly reducing production volumes.



Notably, in 2021 farmers sowed 5.5 million hectares of corn, and this year, the figure decreased to 4.6 million hectares. After recent conversations with market participants, forecasts for the next year fell even more - to three million hectares.

That would not only mean that half of the sector and related industries will remain without work, but all of these would also inevitably lead to a chain reaction - the stoppage and stagnation of many sectors.

The current situation is a tragedy for the Agrarian sector and the Ukrainian economy since exporting agricultural products was one of the primary sources of foreign exchange for the state budget.

Closure of foreign companies

As farmers significantly reduce production, the demand for seeds, fertilisers, and protection products will substantially decrease. As a result, many companies will remain without orders. It might seem not as dangerous as, for example, the world food crisis, but there is no doubt that some severe consequences await soon.

Consider the example of the seed market: due to low demand, companies specialising in high-quality but expensive seeds will be forced to leave the Ukrainian market or reduce their work. And if we don't experience this conditionally today, the shortage of quality seeds will have negative consequences in the longer run.

Among those are low yield and quality of crops, increase in goods' costs, non-competitiveness in foreign markets, and others. It will take at least four-to-five years for the seed segment to recover to the level of February 24.

It should be noted that despite its low efficiency, Ukraine does not disregard and continues developing overland routes, mainly through Poland and Romania. The EU governments are also considering providing Ukraine with temporary grain warehouses to avoid crop storage crises.

Yet, it is crucial to know that these quick solutions are temporary and do not solve the main problem. Renewing exports is an issue that needs an urgent solution because every day it stays blocked is a direct danger for a large part of the world. We take the grain export deal seriously, and the whole sector is now waiting for quick and effective mechanisms for launching the process.

All sides must work as efficiently as possible for the good of the global community, never forgetting that Ukrainian farmers, without any exaggeration, have been feeding a large part of the world for decades.



In memory of Oleksiy Vadaturskiy

In a recent Russian attack on the city of Mykolayiv in southern Ukraine, Oleksiy Vadaturskiy, one of Ukraine's most successful and important entrepreneurs in the agricultural and shipbuilding sectors, was killed along with his wife when a rocket hit their bedroom.

"He was a titan in the sector and one of those who ensured Ukraine's leadership in the grain markets with his firm Nibulon," says Natalie Jaresko, International Financial Executive who first met him and learned of his firm in the mid 1990's when she led Western NIS Enterprise Fund.

"One of the richest persons in Ukraine and older than conscription age, he had every chance to flee, but remained at home in Mykolayiv, working on means to increase grain exports in the face of the Russian chokehold on Ukrainian ports. He stayed with his people and with his country."

A hero of Ukraine in life and now, sadly, in death –
Вічна пам'ять!

