

## Black Sea Crop Update

2 February 2023

### Interview

#### Interview with a farmer in Ukraine

The following is a summarised transcript of yesterday's interview with a farmer in Ukraine.

The farmer asked to remain anonymous, but they are a medium-sized agribusiness growing wheat, barley, corn, sunflower and oilseed rape.

**Interviewer - What's the situation like in Ukraine at the moment?**

**Farmer - Do you know what the biggest drama is right now? The army coming and taking our staff.**

They are looking to get 4,000 men in the area around our farm.



**Will that be significant in terms of your workforce for this coming season?**

Yes. They are taking two of our combine drivers this week. The only people we are going to be left with are people who are sixty [years old].

Also, in our village, for example, there's a manufacturer, who was paying fifty per cent more than what we were paying, but the army has come and taken most of his workers.

So it's going to become a real struggle, I think.

**Will people work for him rather than on the farm?**

Yes. That will leave us short, but we'll manage one way or another.

**Looking forward to this season, how are your cropping and operational plans?**

We've been able to get all our inputs [seed, fertiliser, fuel] easily enough; there's no shortage of inputs this year; last year, there was.

Last year, we didn't know where we would get fuel from. Now all lines are open, and it's easy to get fuel; there's no rationing for fuel and all that stuff like that anymore.

**And you can get fuel on credit because it was all cash on delivery last year?**

We're paying for our fuel, but we've bought all our urea [fertiliser] for the season on credit, which will arrive in two weeks.

We bought it from [large Ukrainian supplier], so we are pretty sure we will get our product.

**After the initial invasion last year, when it was possible Russia was going to take over Ukraine, everything was uncertain. A year later, are the logistics falling back into place?**

Yes. And another thing, we were 35 kilometres from the frontline; now we are 100 kilometres from the frontline; that makes a difference. Yes, we can be hit by missiles, but we can't be hit by shelling.

**I hope neither hits you. Let's talk about crops and agronomy; how has the winter been for you?**

Winter has been okay; we've had a little bit of snow this past week, it's been nice moist, and our crops look pretty reasonable. I'm quite happy.

We're only going to put 80 kilogrammes [per hectare] of urea on our wheat this year because it's costing us \$1,000 per tonne; our budget can only stretch so far.

But we have been selling wheat at \$200 per tonne [through Black Sea ports], paid in dollars but only after the ship sails. That's worked out reasonably well for us.

Last year and ex-works wheat was getting hammered?

Yes, down to \$80 per tonne at harvest.

That was down to traders factoring in a risk premium?

Yes, and additional transport costs to the western land borders.

Interesting that you're not getting paid until after the ship leaves, which I understand, but with delays in shipping inspections, your grain may be sitting on a ship for days or weeks at a time, and you're waiting to get paid.

That sounds like a pretty significant risk?

We are trading with [large international trade], so we are limiting our risk a little bit.

You're selling to a prominent trader who has the funds to bail you out if necessary, at least potentially?

That's right, yes. We have been paid, but it took six weeks to get the money.

Is liquidity a problem for farmers across Ukraine?

Absolutely. Most people, like us, have probably been able to sell a little bit, but the small guys would be hurting. The guys that produce a couple of hundred tonnes of wheat a year, they're [expletive].

If we were trying to put a number on spring planting hectares for this season, maybe 20% down on what was harvested last year?

I don't think it will be down on last year; it will be the same as what was harvested in the previous year. I can't see land going unplanted West of the river [Dnipro].

So, West of the river, there's no technical reason to stop farmers from planting; they have access to inputs?

Yes. Farming West of the river is basically happening as usual. East of the river, and we're looking at more uncertainty.

Although a lot of Ukraine is in a position to farm, and liquidity is uncertain, it sounds like the credit will be made available through the usual channels?

We received 80:20 finance on our sunflower seeds. We paid a 20% deposit and will pay the balance after harvest.

Are the price of inputs broadly where you'd expect them to be, or have they inflated?

Sunflower seeds are the same; urea is about \$200 a tonne more. Fuel is the same; I don't know what chemicals will be yet.

I'm hearing there is going to be increasing sunflower hectares?

With a reduction in corn, yes.

It costs you half as much per hectare to put sunflower in than corn; on the other side, you're only transporting half the product away from the farm.

And the other thing is you can sell oilseeds, but corn is difficult to sell.

Ukraine has a crushing capacity for 130% of the [sunflower] crop, it can all be crushed internally, and the oil easily exported.

Corn is more challenging to get export.

Thanks; stay safe.