

# UKRAINE CONNECTION

from Page 3

## Ukraine and Russia play an important role in global ag markets (particularly, grains and oilseeds):

**Dr. Tetteh:** Together Ukraine and Russia account for almost a quarter of global wheat exports. Ukraine alone has been rapidly and successfully expanding corn production and prior to the conflict, Ukrainian corn exports constituted 13% of global corn exports.

As of now, there are more unknowns about the upcoming planting and harvesting seasons in both countries.

First, it is not clear if Ukrainian farmers are able to harvest winter wheat planted in Ukraine.

Second, when the planting time arrives, it is not clear if they will have access to inputs and finally, it is not clear if they will have access to infrastructure to deliver grain to buyers.

## Significant disruptions in four key global markets:

**Dr. Tetteh:** Coming out of COVID pandemic, global markets were already distorted, and both producers and consumers tried to find a way to adjust to the new reality.

Crude oil prices went up from about \$40/barrel (end of 2021) to \$90/barrel (in early February 2022). In the last two weeks,

it has gone up to \$119/barrel.

Fertilizer price index has almost doubled in 2021, and this crisis will rise fertilizer costs even further.

Ag commodity prices were up as well. When Russian invaded Ukraine, these markets were shaken even further.

Yesterday, Ukrainian government imposed a ban on exports of key agricultural commodities to ensure access to food for its citizens (e.g., wheat, corn, sugar, salt).

This will further reduce the supply of grains in the global market and increase the price.

Therefore, as Central Illinois farmers prepare for another planting season, they will need to make production decisions while facing higher fuel and fertilizer costs but also higher commodity prices and potentially higher corn and wheat revenue.

## Should it increase grain and beef prices that farmers can get for their crops?

**Dr. Tetteh:** When such shocks happen in the market, typically producers experience short-term and long-term impacts.

In the short-term, if Ukraine and Russia are not able to produce and export similar levels of ag commodities, other producers

typically will not have enough time to adjust to such shock, and thus the supply of the commodity in the global markets will be low, forcing the price go up.

In the long-run, other producers (e.g., the United States, Brazil Argentina, etc.) may be able to pick up some of the market share lost by Ukraine and Russia.

If this happens successfully, in the long-run prices should stabilize. However, the assumption we – economists – make here is that everything else should stay constant, and in reality, it does not.

In short, most likely the world will see higher wheat and corn prices in the next year or two; the rest will depend on how long the war lasts, if Ukraine is able to maintain its export competitiveness in grains and

oilseeds markets, and how the rest of the world will respond to these market disruptions.

In my opinion, this year and next year, farmers will be faced with a delicate balance between higher production costs (energy and fertilizer) for corn and wheat and prospects of higher corn and soybean prices.

## How does it affect fertilizer prices?

**Dr. Tetteh:** Farmers will see higher fertilizer prices for several reasons:

—Russia is a leading exporter of fertilizer (Nitrogen and Potash) and produces about 13% of all fertilizer used in the world. In 2021,

See UKRAINE CONNECTION Page 5

# Salute to Agriculture



**STEEL SUPPLIES**

# PROUD

To be a part of the community!

**L. KAHN & SON, Inc.**  
533 South Water Street • Havana  
**309-543-3371**



National *Agriculture Week*

ADM recognizes area farmers during Agriculture Week for feeding and fueling the world!

**AGRICULTURE IS THE "BACKBONE" OF AMERICA.**

## Doing Right By You

We work hard to understand your needs and guide you to make good decisions.

**That's doing right by you. ADM®**

We do all the little things to make sure the big things get done right.

**We look forward to helping you grow.**

 **ADM Grain Company**  
546 S Water, Havana  
800.322.6839

**Serving All Your Grain Needs**

[admfarmview.com/havana](http://admfarmview.com/havana)