The export competitiveness of Ukrainian grain is underpinned by the following factors —

» The Ukrainian Hryvnia remaining devalued. The Hryvnia devalued 60% against the US dollar in 2014/5, compared to the Australian dollar devaluation of 25% in the same period.

» Many Ukrainian grain growers are yet to fully embrace modern farming methods that will further reduce their costs of production and improve yield stability (Table 1).

» Ukraine’s logistics and infrastructure challenges are being addressed by investment supported by major European banks and via multi-national grain companies’ investments (Figure 1).

» Ukraine has a large and growing source of demand for grains on its doorstep in several Middle East and north African countries.

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AEGIC’s key findings

1. Ukrainian wheat exports are currently a modest threat to Australia’s wheat export industry in its key markets. BUT... the potential threat is large, albeit uncertain for many reasons.

2. Ukraine’s competitiveness in the international wheat export market is underpinned by greater rates of yield advancement and greater cost efficiencies in its grain supply chains. During the next decade these advantages are likely to undermine Australia’s price competitiveness.

3. Ukraine is currently less able, compared with Australia, to reliably satisfy the wheat volume and wheat quality needs of end-users in Asian markets.

4. Australia has time to prepare for and counter likely greater competition from Ukrainian wheat exports.

For these actions to be successful, they need to form part of a broadly-supported, cohesive response by the Australian wheat industry to the threats and opportunities the industry faces. Failure to adopt a well-coordinated approach, which minimises fragmentation and duplication, will weaken Australia’s response to these challenges.

Australia’s required actions

1. Collate, monitor and analyse developments in Ukraine (and surrounding nations) and inform the Australian grains industry of the implications.

   Forewarned is forearmed. Accurate and timely information about emerging competitors increases the opportunity for Australia’s grains industry to make strategic decisions based on sound analysis.

2. Investigate why (or whether) Australian wheat is preferred in our major markets and why Ukrainian wheat is not (or is) preferred in those same markets.

   If we know what customers value we can better serve their needs.

3. Convey market and competitor information to those Australian stakeholders whose responses can increase returns for Australian wheat growers.

   Australian grain growers need to benefit from better serving their customers and reacting to competition.

4. Use our ‘window of opportunity’ carefully.

   It’s a tide (not a tidal wave) of Black Sea wheat entering some of our major markets. The Australian grains industry has time to plan and co-ordinate an effective response.

Download the full report here www.aegic.org.au