Can Ukraine’s wheat market provide success to its farmers in the current economic and financial environment?

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Abstract: Beginning with the economic aspects of the futures markets like storage and transportation, an investigation into trade costs, operational efficiencies (Federico 2011), and political hurdles to integration is explored. Price convergence illustrates market integration (O’Rourke and Williamson 2004) but trade must be allowed to occur on an equal financial footing for that to happen.

Transportation infrastructure and the political climate are considered, but the currency crisis is now the apparent main obstacle to increasing revenues to Ukraine, despite the country being the sixth largest exporter of wheat in the world. The hryvnia lost nearly 70% of its value against the dollar from 2014 to 2015 and has been generally flat since. This makes international sales attractive but puts plans for growth in doubt. GDP growth is one consideration for domestic demand, and that has stalled in the recent two years.

With a devalued currency domestically, farmers can no longer access cheap credit, and costs to run their operations are increasing. Resources outside the country have risen due to this currency play, and plantings may decline further at the start of the next growing season.

Key words: wheat markets, currency devaluation, Ukraine, trade, commerce, foreign exchange

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