

Ukraine: after two months, the food corridor operation is a success

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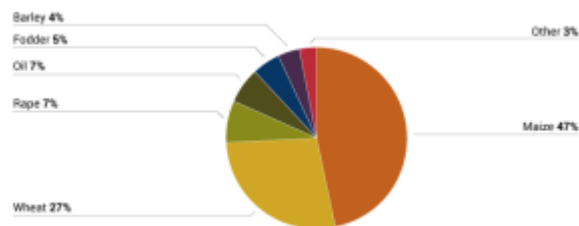
1 October marked two months since the first ship loaded with Ukrainian grain sailed from Odesa. The unblocking of food exports from three Ukrainian ports on the Black Sea (Odesa, Chernomorsk and Pivdenne) was made possible by an agreement between Ukraine, Turkey and the UN which was signed in Istanbul on 22 July. Since then, 241 vessels have used the grain corridor, exporting nearly 5.5 million tonnes of produce – mainly maize (47%), wheat (27%), rapeseed and sunflower oil (7% each; see Chart 1). The food went mainly to Spain (1.1 million tonnes, Ukraine's key customer in the EU also before the invasion), Turkey (905,000 tonnes), Italy (515,000 tonnes) and China (363,000 tonnes; see Chart 2). By region, European countries (48%) and Asia (39%) accounted for most exports, with the rest (13%) going to Africa.

Commentary

- The first months of the corridor's operation yielded better results than the Ukrainian authorities had anticipated. After the signing of the agreement in Istanbul, Kyiv estimated that up to 100 ships carrying a total of up to 3 million tonnes of produce could eventually be cleared per month. Although the target was not reached in August (69 vessels used the corridor to export 1.7 million tonnes of cargo), 172 vessels with 3.8 million tonnes left the ports in September. The Ukrainian Ministry of Infrastructure expects exports in October to remain at least at the same level as in September. The success of the corridor's operation is due to a number of factors, especially the determination of food producers and traders to maximally exploit it and also the local authorities and carriers (in particular the state railways), which have ensured adequate logistics.
- The unblocking of the ports goes a long way to solving the problem created after 24 February regarding food exports from Ukraine. Cereal exports in September were only 23.5% lower than in the corresponding month of 2021 (4.2 million tonnes), which can be considered a very good result under war conditions. Although the corridor is the most important for food sales abroad, other export routes have developed in recent months – Ukrainian ports on the Danube (which accounted for 19.9% of exports in September), rail (15%) and road transport (9.3%) are also playing an important role.
- The Istanbul agreement is set to last 120 days (until 19 November), and may also be extended. This solution obviously benefits Kyiv, but also Turkey – as one of the beneficiaries of the agreement – and the UN – which uses the corridor to supply wheat to the World Food Programme (to Ethiopia, Yemen and Afghanistan, among others).

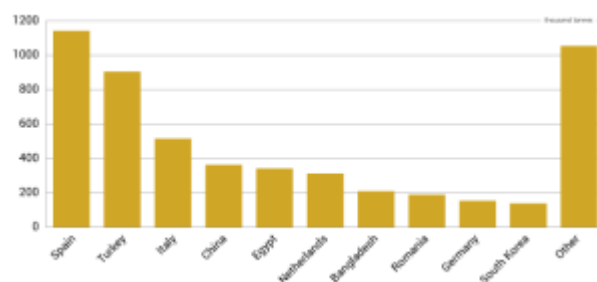
However, the extension of the document may be blocked by Russia – President Vladimir Putin has criticised the operation of the corridor on several occasions, claiming that “almost all the grain” is being transported to EU countries and not to developing countries. Although this is not true (in fact, nearly 70% of the wheat went to African and Asian countries), Moscow may try to use this argument as a pretext to limit or even block exports by sea again. The Ukrainian authorities are also concerned that the agreement will be scuppered by Russia in the coming weeks.

Chart 1. Commodity structure of Ukrainian exports via the food corridor



Source: Ministry of Agrarian Policy and Food of Ukraine.

Chart 2. Geographical structure of Ukrainian exports via the food corridor



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