Grains hit two-year high as war weather and logistics tighten supply

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Key Points:

The Bloomberg Grains Total Return Index, tracked by several ETCs here through the WisdomTree Grains ETC, has risen to a fresh two-year high as a combination of weather-related supply concerns and escalating disruption to Black Sea exports continues to support prices. The index is up around 9.3% this month, with corn and wheat leading the advance, while the year-to-date gain has reached 20%.

The latest concern centres on the Black Sea, where disruption to exports from both Russia and Ukraine is proving more severe than initially anticipated. Russia, the world's largest wheat exporter, is seeing shipments constrained by attacks on port infrastructure and commercial vessels. According to a Bloomberg report, the country's grain exports are now expected to total around 2 million tons in August, a 20% reduction compared with a two-week-old projection from ProZerno, well below the five-year August average of 5.7 million tonnes.

The strain is even more pronounced in Ukraine, where Russian attacks have effectively blocked the deep-water Black Sea ports that normally handle around 90% of the country's agricultural exports. The disruption is increasingly becoming more than a near-term export problem. With crops struggling to leave farms and storage capacity filling up, producers face weaker domestic prices, tighter cash flow and reduced ability to finance inputs and planting for the next harvest. Ukraine has already warned that storage could fall 8–11 million tonnes short following the harvest if seaborne exports remain constrained.

Alternative export routes are providing only limited relief. Reuters reports that up to 70 vessels are currently waiting near Romania's Sulina Canal for access to Ukrainian Danube ports to load grain, amid shortages of pilots and priority being given to cargoes carrying fuel. Frequent air-raid alerts have also contributed to delays. Current transit capacity through the canal has reportedly fallen to just two or three vessels per day. According to the Agriculture Ministry, Ukraine exported only 539,000 tonnes of grain during August through the latest reporting period, compared with 1.73 million tonnes during the same period last year.

The key risk for global grain markets is therefore shifting from the immediate loss of exports towards the possibility of a more persistent supply shock. Russia and Ukraine together account for roughly 25% to 30% of total global wheat exports, meaning prolonged disruption could force major importers to source more expensive supplies from North America, Australia and Argentina. Chicago wheat prices have already risen sharply since early July as buyers increasingly price this risk.

Meanwhile, Chicago corn has extended its rally, supported by a deteriorating US crop outlook and concerns that earlier expectations for ample supply may prove too optimistic. Corn is up 14% this month and around 9% year to date, while CBOT wheat has gained more than 9% this month and 34% year to date. Weather and input-related concerns elsewhere, including Brazil where lower fertilizer supply, add another layer of uncertainty at a time when geopolitical disruption is already reducing the market's margin for error.

The WisdomTree Grains ETC is relatively evenly exposed across the major grain markets, with approximately 34.1% in corn, 32.7% in soybeans, 19.5% in CBOT wheat and 13.7% in Kansas City wheat. This composition helps explain its recent broad-based advance: unlike a wheat-only exposure, it is benefiting from both the Black Sea-driven rally in wheat and increasingly supportive fundamentals across corn and the wider grain complex.

For now, the combination of war, weather and increasingly constrained logistics continues to underpin the sector. The next test will be whether Black Sea export capacity begins to recover. If not, attention is likely to shift increasingly towards the knock-on impact on farmer economics, autumn and spring planting decisions and ultimately the size of next year's crops.

Source: https://www.home.saxo/content/articles/commodities/grains-hit-two-year-high-as-war-weather-and-logistics-tighten-supply-26082026