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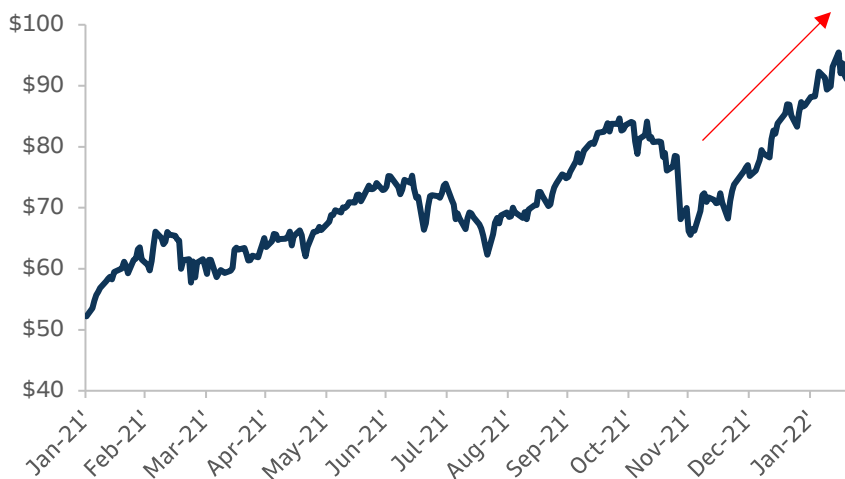
Macro Research | Global Agriculture

# Russia-Ukraine Tensions may present an investment opportunity in agriculture commodities

Last Friday, U.S. President Biden stated that he is convinced Putin has issued an order to invade Ukraine which will take place soon. When asked about his comments, Biden cited the United States' 'significant intelligence capabilities' as a basis for having confidence in his assessment of the Russian position.

So far this year, oil prices have rallied nearly 25% (see chart below) and the situation in Ukraine has drawn attention to the potential for even higher prices if Russia's Oil & Gas products receive sanctions.

## Crude oil prices (CL1 COMB Comdty)



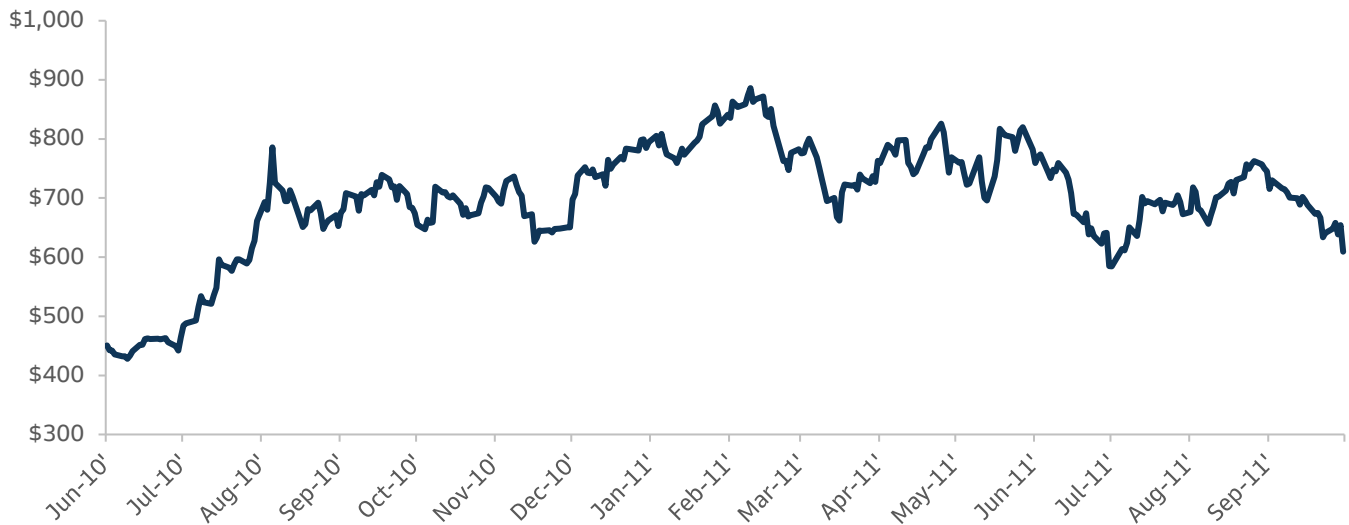
Source: Bloomberg

This idea report presents a group of alternative commodity hedges to oil surrounding the situation in Ukraine—grain and agriculture fertilizers. Russia and Ukraine have a meaningful share of global wheat production and the same can be said for Russia and Belarus when it comes to agriculture fertilizers. There exists a convincing precedent from the last time the world was cut off from Russian grain exports (2010-2011). Over this period, Russia imposed export restrictions on grain due to droughts and fires that severely impacted grain production in the country. Due to the supply imbalance, grain prices more than doubled (see chart below).

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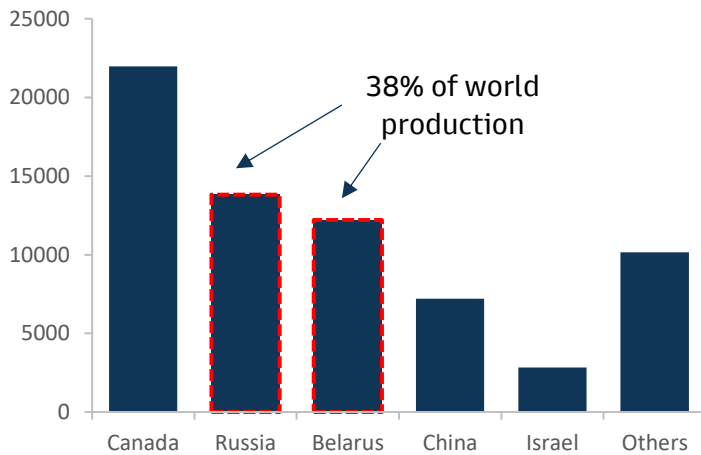
### Wheat prices (W1 COMB Comdty)



Source: Bloomberg

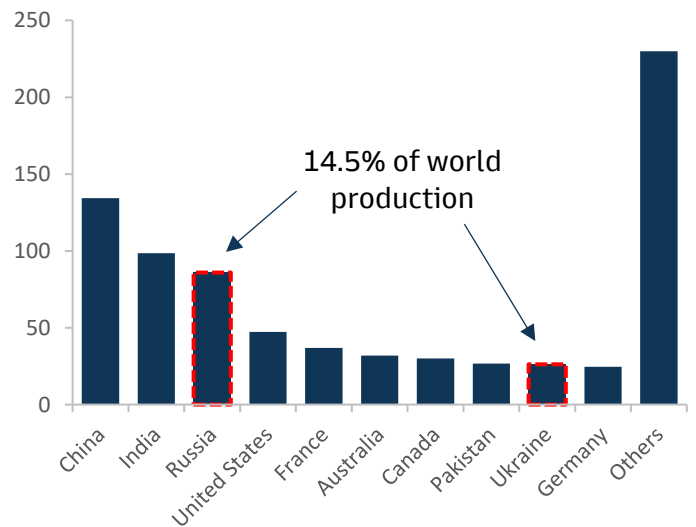
If Russia does indeed decide to invade Ukraine, we may expect to see similar price hikes like in the 2010-2011 period, if not more since production from Ukraine would likely also be impacted. Depending on the sanctions imposed by the West, fertilizer commodities from Russia and Belarus could be targeted alongside other exports. This could cause similar price rallies for the commodities considering the two countries have a meaningful share of global production for fertilizers like Potash, Nitrogen, and Phosphate.

### 2020 Potash Production (000s Mt)



Source: NRCAN

### 2017 Wheat Production (millions Mt)



Source: World Population Review