Seed gap hampers Ukraine growth in soy production

The lack of high quality seed is preventing Ukraine becoming a force in soybean exports, as it is in corn, the head of farm operator IMC said, even as officials raised estimates for the national grain harvest to a record high.

Ukraine’s prime minister, Mykola Azarov, on Thursday pegged the Ukraine grain harvest at a record 60m tonnes, 2m tonnes higher than the farm ministry estimate, which was in turn a little higher than most industry forecasts.

The figure reflects, besides a rebound in wheat output, the growth by Ukraine as a grower of corn, particularly since 2006, when output came in at 6.4m tonnes.

While Mr Azarov declined to detail this year’s corn figure, it is reckoned to have accounted for getting on for 30m tonnes.

He pegged exports for 2013-14 at about 18m tonnes, which would lift Ukraine to second in the world rankings, equal with Argentina and Brazil, based on US Department of Agriculture forecasts.

‘Still lacking the technology’

Typically, countries which are strong in corn production, such as Argentina, Brazil and US, also grow large quantities of soybeans, with China one exception, thanks in part to market controls which encourage farmers to plant the grain rather than the oilseed.

However, for now, it looks unlikely that Ukraine will see the explosive growth in soybean production that it has in corn, thanks to the country’s ban on genetically modified seed, said Alex Lissitsa, chief executive of IMC, which farms some 120,000 hectares in the north of the country.

“We are still lacking the technology. You cannot just go out and buy GMO seed as you can in other countries,” he said.

Soybean yields of about 2.2-2.3 tonnes per hectare (33-34 bushels per acre) could be achieved in Ukraine, well below figures elsewhere, with the US yield currently forecast at 41.2 bushels per acre, although IMC was investigating non-biotech seed imported from Canada in an effort to boost its performance.

The country does “not really” look likely, for now, to emerge in soybeans, as it has in corn, as a major producer and exporter.

‘A bit like Missouri’

For corn, non-GMO seed technology had improved sufficiently to produce decent yields, in a climate which
was transforming in IMC's farming area into something “a bit like that in Missouri, wet and hot”, Dr Lissitsa told Agrimoney.com.

“A few years ago we were happy with corn yields of 6 tonnes per hectare (96 bushels per acre. Now we are unhappy with anything less than 9 tonnes per hectare (143 bushels per acre)."

Indeed, he cautioned against concerns over current rains in Ukraine denting harvest prospects, at least in farms such as IMC.

“We can harvest in the rain. You just need high quality grain driers.”

Rainfall looked more of a problem for sunflower growers, potentially causing major losses in crops desiccated ahead of harvest, and so vulnerable to easy shedding of seed.

‘Potential for intervention’

Corn now accounts for half the company's crop mix, by area, some 60,000 hectares, with about 25,000 hectares down to sunflowers and 10,000 hectares to the traditional Ukraine staple of wheat.

Wheat, besides offering lower margins than corn, also, as a key food crop, has the “potential for intervention" by the government, Dr Lissitsa said.

However, IMC, which grew profits 8.0% last year on revenues up 159% at $75.3m, did follow a strategy of growing a range of crops, in order to spread risk, with rye and sugar beet also in its portfolio, and was one of Ukraine's top three potato producers.

Separately, IMC also revealed a project with Bayer CropScience to test methods of enhancing “sustainable" agriculture techniques.

IMC shares, which are traded in Warsaw, stood 1.4% higher at 15.07 zloty on Thursday.