

Czech University of Life Sciences Prague

Faculty of Economics and Management

Department of Economics



BACHELOR THESIS

**Analysis of Selected Grain Commodity with the Focus on
Ukrainian Market**

Author: Olga Galka

Supervisor: Ing. Petr Procházka, MSc, Ph. D.

© 2015 CULS Prague

Analysis of Selected Grain Commodity with the Focus on Ukrainian Market

Analyza vybraných komodit obilí se zaměřením na ukrajinský trh.

Summary:

The main aim of this bachelor thesis is to describe the current trends and evaluate main factors which may influence the grain commodity market, mainly concentrates the attention on the wheat commodity.

This bachelor thesis work consists of theoretical and analytical part. The first part presents the general overview of the grain commodity, describes current trends on wheat commodity market and explains basics of futures wheat trade. Then the following theoretical part which focuses on the situation in the Ukrainian grain market, describes the structure of grain production and export trends. The second part presents the results of conducted fundamental analysis of Ukrainian wheat market, and results from technical analysis of global trade.

Souhrn:

Hlavním cílem této bakalářské práce je popsat současné trendy a zhodnotit hlavní faktory, které mohou ovlivnit komoditní trh se zrním. Pozornost této práce se soustřeďuje hlavně na komodity pšenice.

Tato bakalářská diplomová práce se skládá z teoretické a analytické části. První část představuje celkový přehled komodit obilí, popisuje současné trendy na komoditním trhu s pšenicí a vysvětluje základy budoucího obchodování s pšenicí. Následující teoretická část se zaměřuje na situaci na ukrajinském trhu s obilím, popisuje strukturu produkce obilí a trendů v oblasti exportu. Druhá část prezentuje výsledky provedené fundamentální analýzy ukrajinského trhu s pšenicí, a výsledky technické analýzy světového obchodu.

Key words: grain commodity, analysis, grain market, market trend, grain futures, grain production

Klíčová slova: komodity obilí, analýza, obilí na trhu, vývoj na trhu, obilí futures, produkce obilovin

Objectives

The first research objective of the thesis is to explain basis of theoretical and practical reasoning of the main trends and factors which influence on grain commodity. The grain commodity and its trade such as futures will be clarified. The following aim is to understand Ukrainian grain market by analyzing current situation, evaluate how the reduction in production in Ukraine may influence world trade of grain commodity such as wheat.

Methodology

In this bachelor's thesis work was implemented qualitative and quantitative analysis as a research method. Fundamental and technical analysis has been used. The elements of exchange trade, the grain futures trade system and current situation of Ukraine according to the grain market were reviewed with the help of articles and balance sheets of grain. The numerical data represented in thesis is assembled from the official websites, publications and magazines. The information base for the study served official annual grain reports, professional literature, materials of scientific conferences and periodicals, statistical data, data of marketing and analytical agencies

Conclusion

Ukraine is a country where agriculture plays an important role in the economy, where a favorable weather conditions and fertile chernozemy extremely suitable for growing grains, especially a wheat. The country which by it's an advantageous geographical position is an important partner in the international trade of wheat and a grain in general, which can act as a transit area and as a center of a wheat trade. The potential for a wheat trade is enormous; nowadays the share of country in the global grain trade is around 10 percent. Ukraine is in the top ten producers and exporters of a wheat commodity. For example the wheat production in 2014 was registered as 24, 750 thousand metric tons, and the dollar value of the export in this year is 2.3 billion. Also country is one of the largest suppliers of the feed wheat to the world market.

In the analytical part with the help of the fundamental analysis was established the factors which influence the wheat price therefore influence on the global wheat trade. The findings shows that the most common factors are weather, current levels of carryover stocks, government policies, trade balance and production. Also it is noticeable that the level of production in Ukraine is rising, the current economical situation boosting countries export and that's all leads to the price reduction on the internal and the external markets. The technical analysis with the

implementation of five indicators such as simple moving average, relative strength index, exponential moving average, moving average convergence divergence and Bollinger bands showed that there is a downtrend in the prices of wheat on global market.

Summarizing the results of findings of the entire thesis work, it is needed to mention that the growth of the wheat production in the country and increase in the export of Ukrainian wheat are leading to oversupply of the global wheat commodity market. This fact is pushing the global prices down. In case there will be a decrease in production levels, Ukraine will lower its share in the global wheat trade which will lead to insufficient supply and higher demand which in its turn will rise the global wheat prices. The findings of this bachelor thesis can be used as recommendation for the investors.

Selected resources:

FONTANILLS, George. *Getting started in commodities*. Hoboken, N.J.: John Wiley & Sons, Inc., c2007, xx, 507 p. Getting started in. ISBN 0470089490.

GEMAN, Hélyette. *Commodities and commodity derivatives: modeling and pricing for agricultural, metals, and energy*. West Sussex: John Wiley & Sons, c2005, xvii, 396 p. ISBN 04-700-1218-8.

ACHELIS, Steven. *Technical Analysis from A to Z*, [online], McGraw-Hill Professional, 2013 [Accessed 2015-11-12]. ISBN-13: 978-0071826297 Available at:
<http://www.metastock.com/Customer/Resources/TAAZ/Default.aspx?p=74&js=0>

KOBUTA, Iryna, Oleksandr SIKACHYNA a Vitaly ZHYGADLO. *Policy Studies on Rural Transition No. 2012-4: Wheat Export Economy in Ukraine* [online]. FAO Regional Office for Europe and Central Asia. 2012, 2012 [Accessed 2015-10-09]. Available at:
<http://www.fao.org/docrep/017/aq344e/aq344e.pdf>