Credit Benchmark®

Russia - Ukraine Credit Shock Hits European Food Producers

March 2022

Even if the war in Ukraine can be stopped soon, it has already had a dramatic impact on the global food trade. Russia and Ukraine are major and direct suppliers of grain (especially wheat and barley) to Africa and the Middle East, and Ukraine provides the majority of the world's sunflower oil used in animal feed.

Even before the invasion, wheat prices had doubled from their lows of 2017 – the pandemic adding to the effect of trade tensions and the growing impact of climate change[1]. But Russian aggression has damaged global food supplies: wheat and sunflower oil prices are up more than 35% in the month; soy and palm oil up 15%; corn and rice up 7% and 3% respectively.

In a further twist, Russia recently agreed to supply China with grain "from anywhere within Russia" - presumably including Ukraine – and China has no plans to block those imports. This gives Russian some foreign exchange while other sources are sanctioned.

The war could hamper spring planting in western Ukraine; wheat futures for delivery as far out as two years have spiked to reflect this. But grain and plant oil are not the only issues. The war will severely restrict global fertilizer supplies from Russia, Belarus and Ukraine – all major producers.

The fertilizer industry has seen intense innovation in recent years in an attempt to meet inexorably growing demands for higher yields. Seaweed, food waste and microbial ammonia are just some of the alternatives. But there are no quick fixes, and natural gas shortages are a major limiting factor for nitrogen-based fertilizer.

The EU is expected to quickly amend rules on state aid to farmers to maintain production levels despite rising costs. And they are also likely to relax rules on pesticides and GMO content to admit meat supplies from the Americas - although markets seem to be anticipating a change in meat-eating habits: prices of live and feeder cattle are actually down on the month.

Figure 1 shows the recent credit trends for Food Products.

Figure 1: Credit Risk Trends
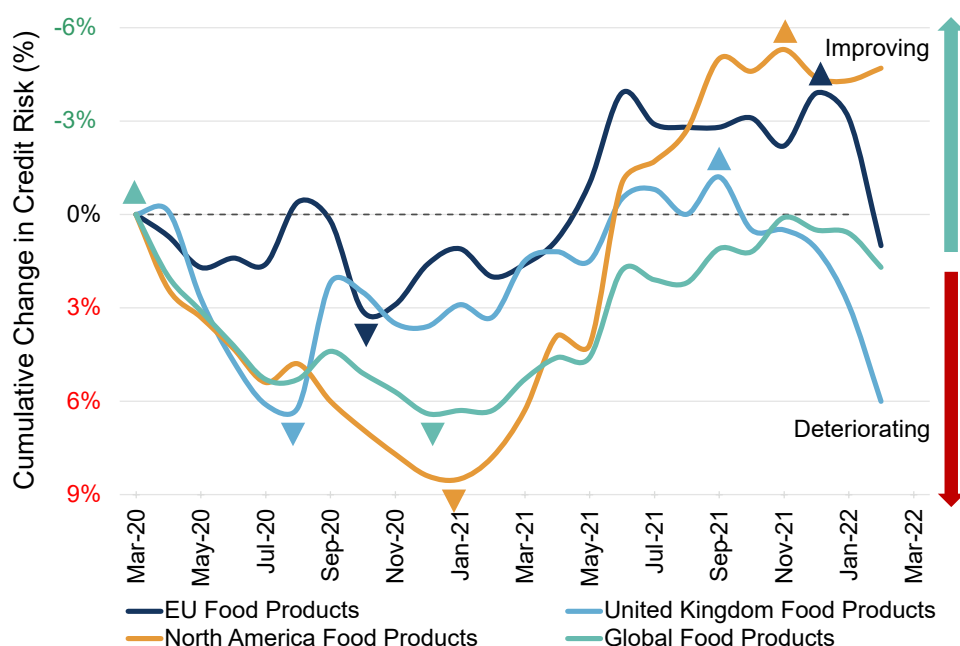
Source: Credit Benchmark

---

1 G20 and Oxfam have published a number of reports on the growing global food crisis. They cite climate change and water shortages, population expansion and the growing demand for (grain-intensive) meat as the systemic issues that will bring increasingly volatile food prices, food poverty and – in some countries - the risk of starvation.

In the past month, the main impact is on EU Food Products companies, with a 4% deterioration in average credit risk. The UK is down about 3%, and the Global aggregate is down just over 1%. North American Food Products actually improved – up 0.3% over the month.

Some of the individual companies driving the deterioration include Unilever and Yara (fertilizers) in Europe; while Cargill in the US has improved.

Even if a peace deal can be brokered soon, the delay in spring planting and the disruption to supply networks means that these credit trends are likely to continue for some time.

Consensus data is updated twice per month, tracking the continuing effect of the war on sectors and companies, rated and unrated, across the globe. This data is now also available on Bloomberg or via the CB Web App – contact Credit Benchmark for a complimentary trial or coverage check.

Credit Benchmark

Credit Consensus Ratings and Analytics

Real-world risk views with unparalleled consensus coverage.

Credit Benchmark provides Credit Consensus Ratings and Analytics based on contributed risk views from 40+ of the world's leading financial institutions, including 15 GSIBs, domiciled in the US, Continental Europe, Switzerland, UK, Japan, Canada, Australia and South Africa.

For regulatory and business reasons, these financial institutions have each created their own regulated internal credit rating agency to assess the creditworthiness of tens of thousands of obligors. Credit Benchmark collects, aggregates and anonymises this information to provide an independent, real-world perspective of risk, delivered twice monthly to our partners.

Credit Benchmark fills an information gap left open by traditional credit risk content providers by offering a timely, comprehensive view of credit risk which proves complementary to issuer-paid rating agencies and third party model vendors. The first of its kind "credit consensus" data reflects the expertise of more than 20,000 credit analysts across the contributing group – a powerful example of the wisdom of crowds.

Credit Consensus Ratings and Analytics are available on over 60,000 corporate, financial, fund and sovereign entities globally, most of which are unrated by credit rating agencies.

Data that works for you

Credit Benchmark data is available via our Web App, Excel add-in, API, flat-file download, and third-party channels including Bloomberg.

> Contact us to learn more and get a free trial of Credit Benchmark data by **clicking here** or email **info@creditbenchmark.com**

Data Use Cases

- › **Counterparty Risk Management**
- › **Credit Risk Management**
- › **Systematic Credit Trading**
- › **Securities Finance**
- › **Supply Chain Risk**
- › **Trade Credit Insurance**

- › **Fund Management**
- › **Regulation, RWA & Capital**
- › **Onboarding, KYC & Relationship Management**
- › **Point-in-Time (PIT) Impairments**
- › **Accounts Payable & Receivable**

10 Million
Contributed Credit Risk Estimates Per Year
40 Million+ Estimates Collected Since Launch

60,000+
Entities Covered

2x
Twice Monthly Frequency

75%
Unrated by Major Credit Rating Agencies

1,100+
Aggregates

100+
Countries

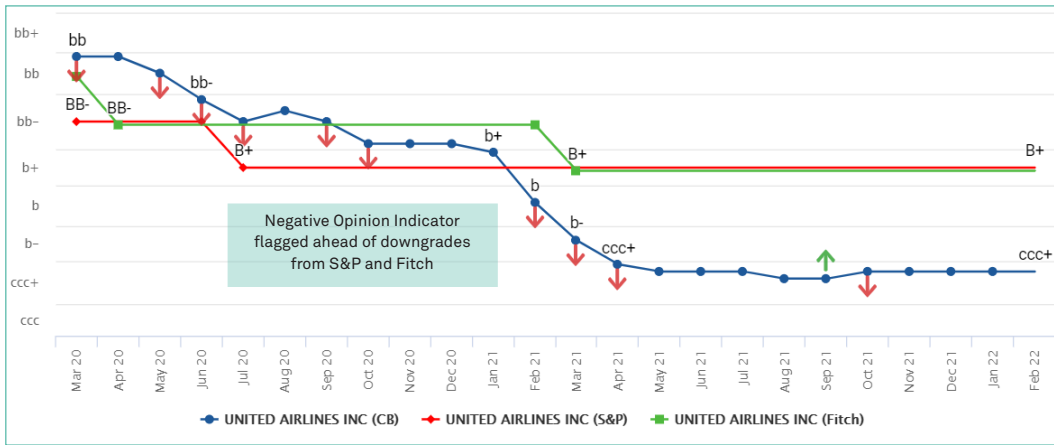**75+**
Months of Data

50+
Data Metrics

40+
Contributing Financial Institutions Representing a Pool of 20,000+ Credit Analysts

Real-world risk views with unparalleled consensus coverage

Credit Benchmark®

Credit Benchmark Web App: Entity-Level Data Sample

Negative Opinion Indicator flagged ahead of downgrades from S&P and Fitch

UNITED AIRLINES INC (CB) — UNITED AIRLINES INC (S&P) — UNITED AIRLINES INC (Fitch)

Credit Consensus Rating: Unique measure of creditworthiness based on the views of 40+ leading global financial institutions

Consensus Analytics: Insights into the depth, dispersion, movement, and directionality of the Credit Consensus Rating's underlying views

Opinion Indicator: Month over month observation-level net downgrades or upgrades

Credit Benchmark Web App: Data Screen Sample

Combine qualitative and quantitative fields to screen for entities that meet your criteria

Quickly filter the database of 60,000+ legal entities

Screen for public and non-publicly rated entities within specific geographies, industries, sectors and within your defined rating thresholds

Data that works for you:

Credit Benchmark data is available via our Web App, Excel add-in, API, flat-file download, and third-party channels including Bloomberg.

Contact us to learn more and get a free trial of our data.

Contact

For more information, visit
www.creditbenchmark.com
or contact us:

Email:
info@creditbenchmark.com

UK Office (London):
+44 (0)20 7099 4322

US Office (New York):
+1 646 661 3383