What's Hot: Wheat's war premium returns

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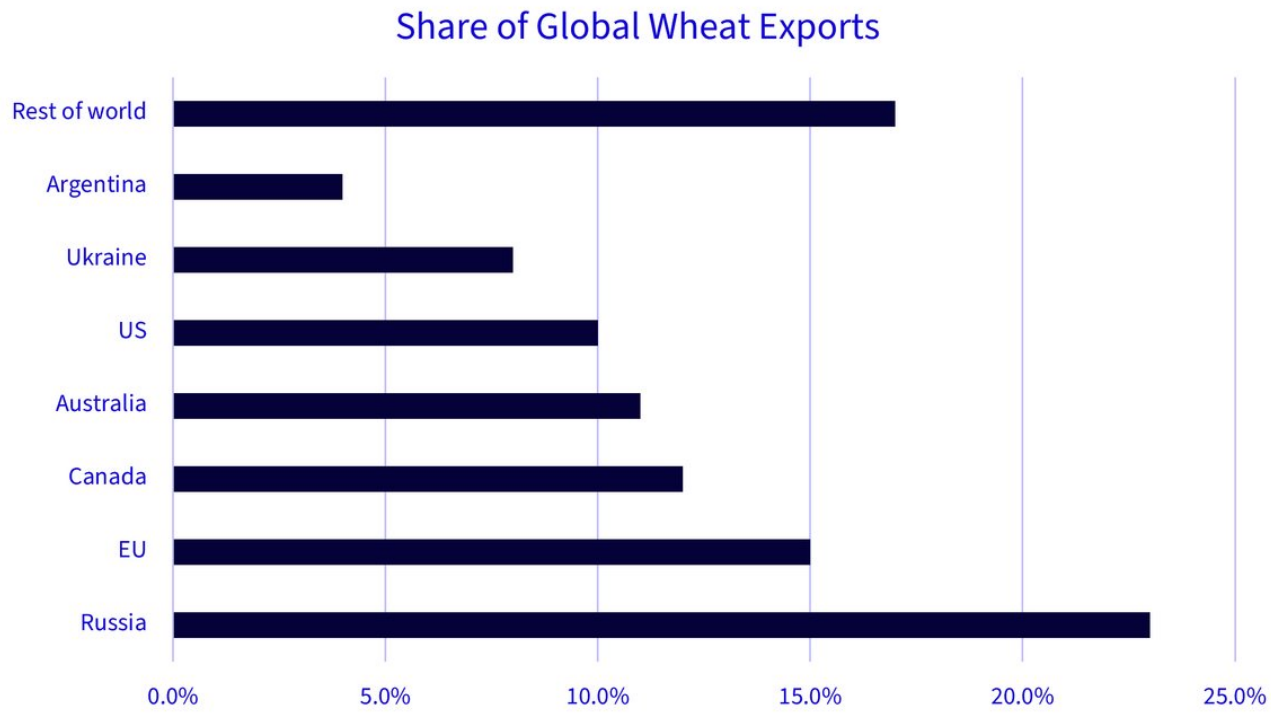
Wichtige Erkenntnisse

- Black Sea disruption is hitting wheat supply at the most important point in the export season.
- Russia and Ukraine together account for roughly 27% to 31% of global wheat trade, magnifying the impact of corridor disruption.
- Managed money remains net short, leaving room for short covering if export losses persist.
- The futures curve is still in contango, suggesting higher prices rather than outright near term physical scarcity.

Chicago wheat futures are up 49% this year[1]. The immediate catalyst is a fresh cycle of Russia-Ukraine escalation that has taken the majority of Black Sea and Azov grain-export capacity offline at the seasonal peak. Yet even as speculative positioning has recovered toward its five-year average from the depths of early 2025, funds remain net short — a market beginning to reprice risk rather than one convinced of it. A strengthening El Niño is quietly tightening the window for corrective harvests elsewhere.

A supply shock, arriving at the worst possible moment

Russia and Ukraine together account for roughly 27–31% of global wheat trade, and the past six weeks have severed most of the corridor that carries it. Russia has suspended the floating export duty on wheat, barley and corn through year-end. This marks the first such move since the levy was introduced in 2021, after Ukrainian strikes idled all three grain terminals at Novorossiysk and cut navigation across the Sea of Azov.



Source: United States Department of Agriculture (USDA), WisdomTree as of 28 August 2026. **Historical performance is not an indication of future performance and any investments may go down in value.**

Domestic Russian consultancies estimate export capacity has fallen by more than 90% in the Azov-Black Sea basin[2], with August wheat shipments running at less than half of last year's pace and September expected at the lowest level since 2010[3].

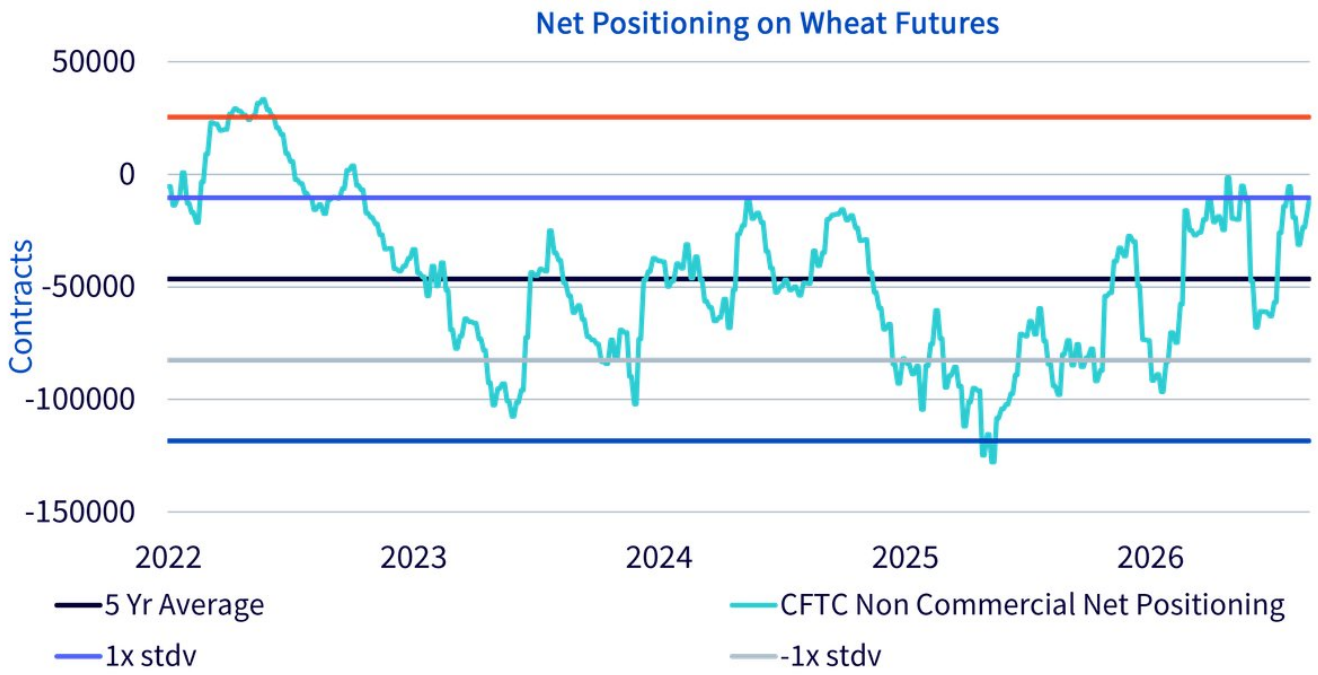
The Baltic outlet remains available, but its throughput cannot substitute for the ~60 mn t of grain Russia typically clears in a season[4]. Independent forecasts for 2026/27 Russian wheat exports have been cut sharply, against USDA's 46 mn t working estimate. Ukraine's Ministry of Agriculture has already lowered its own 2026/27 wheat export forecast to 8.3 mn t, well below USDA's 13.5 mn t and roughly half of the 2025/26 outturn. Ukrainian grain exports fell about 58% in August year-on-year.

What makes this cycle materially different from the June market correction is timing. The August-November window accounts for roughly 45–50% of the annual export flow out of the Black Sea basin[5]. Historically, Russia has cleared 5.0-5.6 mn t of wheat per month over August-November; Ukraine has shipped 1-2 mn t per month over the same period. A 50% loss of peak-window volume could likely remove 3-4 mn t of Ukrainian shipments alone, a materially larger absolute figure for Russia. Alternative rail, truck and Danube corridors can accommodate only 45-50% of normal Ukrainian export volumes and at meaningfully higher cost, a constraint that acted as a hard ceiling in 2022-23 and has not eased since.

Positioning: a market still short conviction

Despite front-month Chicago Soft Red Winter (SRW) wheat trading above $7.75/bu in early September and posting fresh three-year highs on 28 August, Commodity Futures Trading Commission (CFTC) data

show managed money did not enter the rally long. As of the 25 August report, funds were still an outright bearish position on a commodity in a war premium.



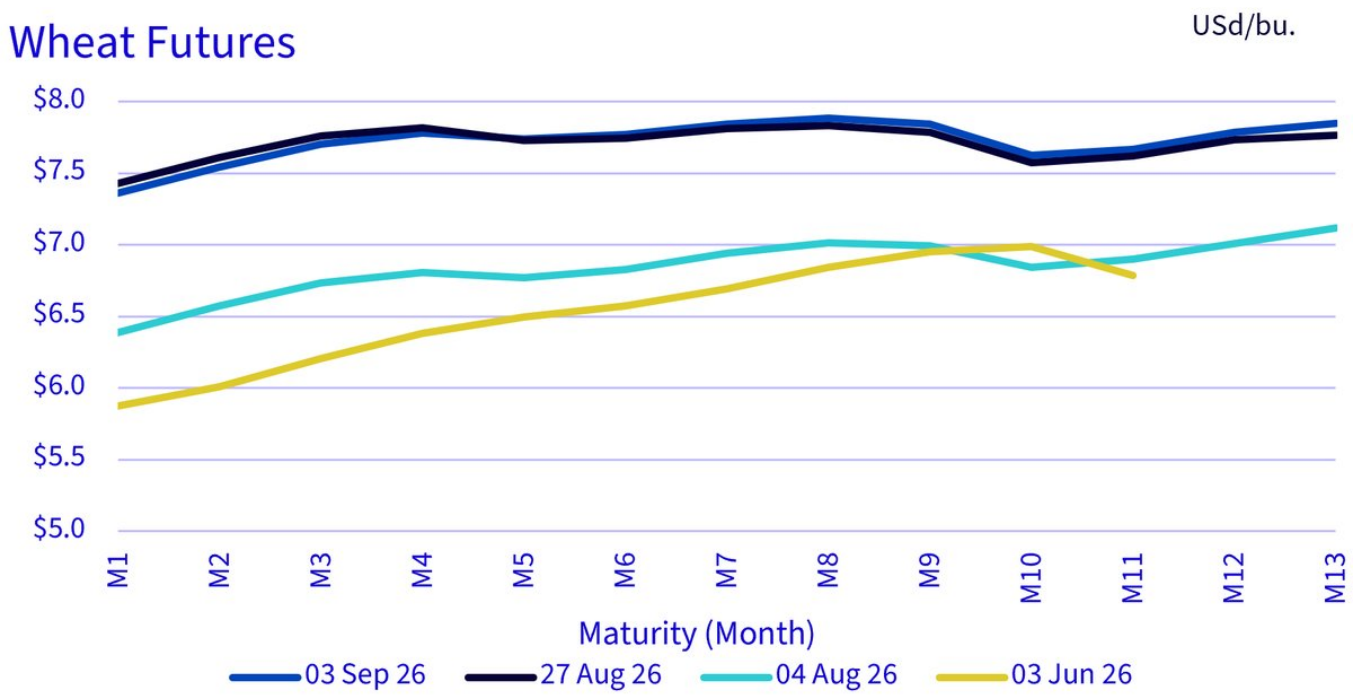
Source: Commodity Futures Trading Commission (CFTC), Bloomberg Finance L.P., from 4 January 2022 to 28 August 2026.
Historical performance is not an indication of future performance and any investments may go down in value.

The gap between price action and Chicago positioning is the interesting story. In the two comparable episodes since 2022 — Russia's initial invasion and its July 2023 withdrawal from the Black Sea Grain Initiative — funds moved from short to long inside a few weeks. Should peak-window disruption persist through November, the mechanical short covering alone would be a meaningful marginal buyer.

Still in contango — but the front is where the signal sits

The Chicago wheat forward curve held a steep contango through early summer — the nearby contracts pricing well below the deferred, the seasonal norm at this point in the marketing year and a structure that imposes a negative roll yield on long-only index positions at every roll. On the 3 June curve, the strip carried roughly $1.15 from the sub-$6.00/bu front to the ~$7.00 back — a textbook upward slope reflecting ample prompt supply.

That is no longer the shape of the market. On the latest curve (3 September), the front has repriced up to around $7.35/bu and the whole strip now sits in a narrow $7.35–7.85 band, essentially flat-to-humped beyond the first few contracts. The contango has more than halved: front-to-peak carry is now closer to $0.50, and most of that is concentrated in the first three or four maturities. The read here is the important part. A market pricing acute prompt scarcity would bid the front contracts above the deferred, tipping the curve into backwardation. While that has not happened, the flattening is the intermediate step on that path, and the curve is now much closer to it than at any point this summer.



Source: Bloomberg Finance L.P., WisdomTree as of 3 September 2026. **Historical performance is not an indication of future performance and any investments may go down in value.**

The sequence of snapshots shows exactly how this has developed: a front end that has repriced faster than the back. Should the peak-window losses crystallise into confirmed shipping data over the coming weeks, we would expect the process to continue — the front spreads compressing the last of the contango and, if disruption is sustained, tipping the nearby months into backwardation. That would turn the roll yield from a drag into a tailwind for benchmark long-only exposure, an effect often overlooked in flat-price commentary.

El Niño: a compounding, not an offsetting one

The Climate Prediction Center (CPC) confirmed El Niño is strengthening, with a greater than 90% chance of a very strong event during the Northern Hemisphere fall and winter 2026-27[6]. This matters for wheat in a specific and asymmetric way. Australia, the world's fourth-largest wheat exporter at roughly 11% of the global market — is entering the October-November grain-fill window with El Niño conditions declared by its Bureau of Meteorology in June. In the two most recent strong El Niño years, Australian wheat output printed 3% below trend in 2015 and 18% below trend in 2023. FAS Canberra has flagged this as a significant downside risk to its 2026/27 forecasts.

India's monsoon has come in below the long-period average and is likely to weigh on rabi-season wheat planting from October. Argentina, by contrast, tends to benefit from El Niño rainfall, which is one reason USDA's 2026/27 Argentine wheat production forecast held steady. Unlike perennial crops such as coffee and cocoa, where El Niño damage accumulates over multiple seasons, wheat is annual and can recover within a single growing cycle — but the recovery cannot arrive before the 2027/28 harvest, and the near-term supply gap has to be filled from existing stocks.

Layered onto a Black Sea disruption at the peak-shipping window, the ENSO signal removes the natural safety valve that would otherwise be the assumption of a large Southern Hemisphere Q4 harvest bidding for displaced demand. The combination is not yet reflected in either the curve or wheat positioning.

Conclusion

Three data points will resolve most of the ambiguity in the coming weeks: actual vessel movements and terminal loading rates from Novorossiysk, Ust-Luga and the Odesa; the CFTC managed money position in Chicago SRW, where a shift from net short toward flat would confirm the mechanical short-covering story and the Australian Bureau of Meteorology's October rainfall outturn against the winter-wheat grain-fill requirement.

The market has re-priced wheat with a war premium but has not yet fully re-positioned for one. That gap — between price and conviction is the interesting risk-reward on wheat into Q4.

[1] Bloomberg Finance L.P. from 31 December 2025 to 3 September 2026
[2] Moscow Times as of 17 August 2026
[3] SovEcon as of 2 September 2026
[4] Baird Maritime as of 28 August
[5] United States Department of Agriculture as of 28 August 2026
[6] National Oceanic and Atmospheric Administration as of 31 August 2026

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