Grain: The Volatility Engine

Mark Carney's speech in Davos really highlighted the change the world is experiencing as Canada announced its pivot away from the United States. China gladly responded, and by mid-January, tariffs on Canadian canola were cut and export stems surged back through Vancouver, Prince Rupert, and the US Pacific Northwest.

Freight's Reaction

The North Pacific grain corridor (P3A) jumped from roughly $9,700/day at the beginning of January to above $15,000/day on the 11th of February[1]. Ballasters reversed course toward Pacific load ports and prompt Panamax supply thinned rapidly. Canada exports 7–9 million tonnes of canola annually[2], equating to roughly 110 Panamax voyages concentrated through the northern winter. When those flows returned, freight reset. Those who hedged secured transport costs, those who did not paid the repricing.

The US response

Following renewed engagement between Presidents Trump and Xi in early February, markets began positioning for a revival of Chinese soybean purchases from the United States. In normal conditions, China imports over 30 million tonnes of US soybeans annually[3], employing hundreds of Panamax vessels loading out of the US Gulf and Pacific Northwest.

Even the prospect of renewed buying tightened forward freight. Hedgers secured vessel exposure early. Freight derivatives strengthened before physical fixtures accelerated. This was the market was positioning ahead of tightening.

Brazil is also absorbing the fleet

In Brazil, soybeans are flowing out of Santos, Paranaguá, and Itaqui in volumes

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[1] The Baltic Exchange
[2] USDA Foreign Agricultural Service (FAS)
[3] USDA FAS, US Census export shipment data

exceeding 90 million tonnes annually[4], almost entirely on Panamax vessels. Each voyage removes ships from circulation for weeks.

This tightening is overlapping with Pacific canola and wheat is still moving. Ships already committed elsewhere are unavailable. As the vessel supply contracts globally, freight volatility spreads basin to basin.

The emerging tightness spreads to the Supramax segment

Alongside this, we are seeing an emerging tightness in the Supramax segment, and it is particularly volatile in the Black Sea.

Russia remains the world's largest wheat exporter, shipping over 45 million tonnes[5] annually, much of it on 52,000–63,000 dwt Supramax vessels. Ukraine also supplies millions of tonnes through the region, yet this flow is influenced by the ongoing war. Multiple bulk carriers loading or transiting Black Sea grain corridors have been struck in recent months[6]. Missile and drone attacks have targeted port infrastructure as well as commercial shipping. This has introduced a new freight risk premium.

Owners demand higher returns to enter the basin, while some vessels avoid the region entirely. Others reposition quickly when risk escalates. Vessel availability becomes unstable and freight volatility increases accordingly.

Argentina contributes to reinforcing this tightening. Its upriver soybean meal exports, over 30 million tonnes annually[7], almost entirely on Supramax tonnage, absorb vessels structurally through the Atlantic basin.

Supramax supply is tightening from both ends

Australia has extended Pacific tightening deep into winter. Australian wheat exports, running through the northern winter, employ both Panamax and Supramax vessels[8] loading Western Australia and east coast ports. These cargoes overlap directly with Canadian canola and Brazilian soybean flows. Fleet replenishment is further delayed and Pacific supply remains constrained.

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[4] USDA FAS, Companhia Nacional de Abastecimento Brazil

[5] USDA FAS, International Grains Council, The Baltic Exchange
[6] Lloyd's Joint War Committee, Lloyd's List, Reuters, TradeWinds
[7] USDA FAS, CIARA (Cámara de la Industria Aceitera de la República Argentina) - CEC (Centro Exportador de Cereales) Argentina
[8] Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES) Australia, GrainCorp logistics data

Grain redistributes the fleet

Coal, fertiliser, clinker, petcoke, and scrap sustain baseline utilisation. Grain removes vessels in concentrated waves. These waves now shift more abruptly, driven by geopolitics, sanctions, war risk, and trade realignment.

Statistical analysis confirms grain corridors can explain up to two-thirds of Panamax and Supramax freight derivative variation. Freight exposure emerges when cargo is sold. Hedgers buy FFAs to cap transport costs. Physical tightening follows as vessels are absorbed.

This volatility has led to greater participation in freight derivatives. In 2025, Supramax FFA volumes rose by around 40% year-on-year[9], and Panamax liquidity also increased. More companies are securing freight rates earlier, while financial participants are taking positions around changing market cycles. Freight is no longer just about logistics; it is increasingly influenced by geopolitical events and food security. When grain trade patterns shift, vessel demand shifts with them. Grain markets are a key driver of freight volatility, and that volatility is drawing in more capital.

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Sources

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- P3A freight move and Pacific grain route pricing: Baltic Exchange route assessments, FIS broker market reports
- Brazil soybean exports (~90 Mt) and seasonal vessel absorption: USDA FAS, CONAB Brazil
- US soybean exports to China (~30 Mt typical): USDA FAS, US Census export shipment data
- Argentina soybean meal exports (~30 Mt, Supramax dominant): USDA FAS, CIARA-CEC Argentina

[9] SGX Freight, EEX Freight, FIS volume statistics

- Russian wheat exports (~45 Mt) and Black Sea vessel utilisation: USDA FAS, International Grains Council, Baltic Exchange S1B route
- Australian wheat exports (25–35 Mt) and Pacific vessel demand: ABARES Australia, GrainCorp logistics data
- Panamax and Supramax FFA volumes, including +40% Supramax increase: SGX Freight, EEX Freight, FIS volume statistics
- Freight route behaviour and vessel deployment patterns: Baltic Exchange route methodology, Signal Ocean
- Grain explaining ~two-thirds of Panamax and Supramax FFA variation: regression using Baltic sub-routes vs CURM and M+1 FFA data
- Hedging sequence (cargo sale → FFA hedge → vessel fixing → index move): SGX contract specs, Baltic settlement methodology, broker execution workflows
- Black Sea war risk and vessel targeting: Lloyd’s Joint War Committee, Lloyd’s List, Reuters, TradeWinds reporting

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