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INDEPENDENT NEWS FROM RUSSIA

Prices Skyrocket as Buckwheat Vanishes From Shelves

By Irina Filatova

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Moscow stores reported a deficit of buckwheat — a regular side dish in Russian cooking — this week as suppliers hiked prices after a two-month drought that ravaged grain crops.

Suppliers of the Sedmoi Kontinent supermarket chain have hiked prices by more than a 100 percent, to 45 rubles per kilogram compared with 22 rubles in early August, the retailer's spokeswoman Vlada Baranova said Tuesday.

She said the company's stores haven't run out of buckwheat.

Two customers said they could not find buckwheat at any Auchan supermarkets over the weekend. Auchan declined to comment Tuesday.

Buckwheat is still available for sale at the Perekryostok and Pyatyorochka supermarket chains, but is expected to run out soon, said Svetlana Vitkovskaya, a spokeswoman for X5

Retail Group, Russia's largest supermarket operator, which owns the two chains.

"Last year's buckwheat crop is almost sold out, and this year's harvest appeared to be very small because of the drought," she told The Moscow Times.

The stores' suppliers said they plan to increase prices by 60 percent, which has caused X5 to suspend purchases, Vitkovskaya said.

X5 is selling buckwheat at below wholesale cost while looking for alternative suppliers, she said.

"Suppliers' price for buckwheat on Aug. 1 was about 29 rubles [$0.94] per kilogram, and we sold it for 23 rubles [$0.74]," Vitkovskaya said.

The situation is so dire because this year's poor buckwheat harvest is the second in a row, said Andrei Sizov Jr., managing director of SovEcon, an agricultural market researcher.

Buckwheat harvests amounted to about 1 million metric tons a year in 2007 and 2008, he said.

But last year about 600,000 tons were harvested, Sizov said, "and apparently much less will be harvested this year."

Two of the three key areas for growing buckwheat — the Volga and the Central federal districts — saw a substantial part of their buckwheat crops burned in fires this year, Sizov said. The third area is the Altai region.

Retail prices are likely to increase by more than 10 percent, and the growth will likely be more prominent in small stores than retail chains, which find it easier to negotiate with suppliers because of their sizable purchasing power, Sizov said.

Meanwhile, suppliers said they were facing a shortage of buckwheat.

"The country has almost run out of the buckwheat," said Oksana Linnik, commercial director of Angstrem, one of the biggest buckwheat suppliers in Russia, Kommersant reported Tuesday.

Angstrem plans to increase its prices by 35 percent and will sell buckwheat to "those who give the biggest price," Linnik said in a letter to retailers.

But suppliers have also increased prices for foodstuffs that have nothing or little to do with grain, such as honey, salt and beer, said Ilya Belonovsky, head of the Association of Retail Companies, Interfax reported.

Both X5 Retail Group and Sedmoi Kontinent said prices for these products remained unchanged.

Suppliers are likely trying to use the situation with the crop shortage to their financial benefit, said Filipp Lysenko, an analyst at Financial Bridge. "There's a psychological reason, as well as the desire to profit," he said.

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