

Medvedev Fears Graft in Tenders for Grain

By [The Moscow Times](#)

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GORKI, Moscow Region — President Dmitry Medvedev lashed out at corruption that could hamper efforts to rein in food inflation on Wednesday but a Kremlin official said his suggestion that the country's grain interventions be halted was unlikely to be acted upon in the short term.

Medvedev told a meeting on food price inflation that there was scope for grain buyers to bypass the tender process, started this month to combat surging prices in the wake of a severe drought, and instead strike deals with corrupt officials.

"What is the motive to buy grain at an auction if they can come to [an official] and agree [the price] on an individual basis?" Medvedev said.

"What fool would bargain, if you can come and agree with a government official? This decision [on intervention tenders] should be frozen."

But after less than an hour of talks between Medvedev and officials, the Kremlin's top economic aide told reporters that the ordered suspension will not be immediate.

"The government will continue to fulfill the decisions that have already been taken," Arkady Dvorkovich told reporters.

"Within the next two weeks [the government] will analyze how the auctions are going, how this influences the prices and the situation of the regional producers and make the final decision."

This is not the first case of hasty comments from Medvedev — seen as the junior partner to Prime Minister Vladimir Putin in Russia's ruling tandem.

Last year, he said the grain export ban could be lifted, only for his spokesman to clarify that the embargo would remain in place until the 2011 harvest is in.

A severe drought forced Russia, formerly the world's third-largest wheat exporter, to ban grain exports from Aug. 15, 2010 to July 1, 2011 and to announce the sale of 2.5 million tons of grain at intervention tenders in the first half of this year.

The government has said it will distribute an additional 3.3 million tons of grain to drought-hit regions at a low fixed price from February. Before the start of the tenders, it had 9.6 million tons of grain in its stocks.

The government has already sold 114,023 tons of grain, mainly wheat, at two intervention tenders. A third tender was under way on Wednesday.

Medvedev said the government should give fresh consideration to the necessity of the intervention tenders and think that maybe it would be more appropriate to distribute the grain put aside for the tenders to needy regions.

"They [tenders] are not a market measure, let me put it straight. This creates a threat of corruption. Therefore we need to do everything so that grain would be redistributed according to unique rules," Medvedev said.

But a leading Russian agricultural analyst said the suspension of intervention tenders could be bad for the market and not necessarily remove the risk of corruption.

"Bad or good, the intervention tenders gave the market some kind of price target," Andrei Sizov, president and chief executive of think tank SovEcon, told Reuters.

"It is the distribution of grain at low fixed prices that may generate corruption. Regional officials responsible for the distribution may get bribes to provide grain from the government stocks."

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