

Grain Exports to Resume, Reliability Must Be Proved

By [The Moscow Times](#)

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Russia geared up to ship as much as 20 million tons of new harvest grain to tight markets after lifting its export ban on the weekend, but buyers said they expect it to prove its reliability anew.

The head of Russia's Grains Union lobby said Russia could export 20 million tons of grain from this year's crop if the harvest reaches 85 million to 90 million tons in line with official forecasts.

"The export potential is 15 million. Maybe we can even export 20 million if the harvest reaches 85-90 million tons," Arkady Zlochevsky said.

Russia saw 2010's catastrophic drought slash its crop by a third, which prompted the government to ban deliveries of grain to foreign markets from August last year.

The impending July 1 end to Russia's ban on grain exports, officially announced Saturday, sent Paris November wheat futures tumbling 4.5 percent to 238.50 euros (\$340.70) per ton.

But the gap between Russian prices and world benchmarks remains wide, even though domestic wheat prices have been pushing higher as exporters positioned to resume shipments.

"In the North Caucasus, exporters remain active buyers of wheat at domestic and port elevators, which is supporting a gradual increase in prices in the region by 50 to 100 rubles over the week," SovEcon think tank said in a market comment.

SovEcon quoted third-grade milling wheat offered ex-works at 5,725 rubles per ton on average in European Russia.

Exporters are hoping to return their clients' faith with offers of cheap grain.

"Russia will return once again, but it will be dealt with cautiously," said Nomani Nomani, vice chairman of Egypt's General Authority for Supply Commodities. "We do not want to fall into the same problem we fell into last year."

Egypt was forced to scramble to replace more than 500,000 tons of Russian wheat purchases when Moscow imposed the ban.

"If issues of price increases arise, we will use means of customs and tariff regulation," Deputy Prime Minister Viktor Zubkov, who recommended Prime Minister Vladimir Putin end the ban, told the prime minister Saturday.

Russia's farm lobbies, traders and analysts had proposed a more conservative three-month export window from July 1 to relieve a stock buildup in the south and help domestic prices off of lows to encourage investment in next year's crop.

Many senior industry figures had also expected a system of quotas or protective export tariffs to be imposed to control the outflows.

With the odds stacked against unfettered exports, traders said they did not fully believe that free shipments could continue for long.

"Will Russia really open its gates in a lasting way and without any export restrictions? I want a clear and precise confirmation," a European grain trader said.

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