The Moscow Times
30 YEARS
INDEPENDENT NEWS FROM RUSSIA

Specter of Grain Export Ban Looms as Drought Takes its Toll

By Howard Amos

August 02, 2012



The deputy agriculture minister's new estimates for the grain harvest are dangerously close to the country's domestic demand threshold. **Maxim Stulov**

Thanks to scorching temperatures in grain growing regions, forecasts for Russia's harvest continued their downward plunge Thursday as the Agriculture Ministry said the final haul could be as low as 70 million tons, raising fears that an export ban is imminent.

The official forecast for the grain harvest stood at 90 million tons at the beginning of this year. It was then reduced to 85 million tons before being cut to 80 to 85 million tons two weeks ago, when the drought in the south and Siberia began to bite.

But the figure of 80 million tons is now optimistic, Deputy Agriculture Minister Alexander Chernogorv said in Novosibirsk on Thursday, Interfax reported. "It will be cut to between 70 and 75 million tons," he said.

Internal grain consumption is about 72 million tons. While reserves of about 11 million tons give the government some leeway, any further harvest downgrades could trigger restrictions on grain exports.

If the harvest is between 75 and 80 million tons, Russia will export between 10 and 12 million tons, Deputy Prime Minister Arkady Dvorkovich said Thursday.

In the drought-ravaged year of 2010, then-Prime Minister Vladimir Putin announced a ban on grain exports on Aug. 5 — two days after the Agriculture Ministry cut its harvest prediction to between 70 and 75 million tons.

A grain export ban would be all but certain if the harvest is lower than 70 million tons, said Alexei Evstratenkov, an agriculture analyst at Aton. "The main priority of the government is to feed the people within the country."

The 70 million ton threshold was echoed by Yulia Tsepliayeva, chief economist for BNP Paribas in Moscow. "If we collect 70 million tons, then Russia won't export anything," she said. This could be achieved by protective export duties or an export ban, she added.

Beginning with Krasnodar last week, Russia's southern regions have recently begun to report the results of this year's harvest gathering.

According to a statement on the Stavropol region's agricultural department's website, it collected 4.2 million tons of grain in 2012, which is 33 percent less than in 2011.

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