

Russia and Iran Negotiating \$500 Million Oil-for-Goods Deal

By [The Moscow Times](#)

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Russia is looking to supply grain worth up to \$500 million per year to Iran in exchange for oil, Russia's state grain trader said, in a further reduction to the value of a long-negotiated barter deal between the two countries.

Russia and Iran have been discussing an "oil-for-goods deal" since early 2014 as a way to get around Western sanctions imposed on both countries — on Moscow over the Ukraine crisis and Tehran over its nuclear program.

Andrei Gormakh, first deputy chief executive of Russia's state-controlled grain trader, United Grain Company, or UGC, was quoted by RIA Novosti as saying the company was ready to supply between 1 million and 2 million tons of grain to Iran per year in return for oil.

That would be worth up to \$500 million, according to Reuters calculations based on current Russian wheat prices.

"This question is being discussed at the working meeting, but we've not been informed of the solution to the financial question," RIA quoted Gormakh as saying on the sidelines of a Russian-Iranian business forum in Tehran.

The EU and the U.S. have imposed sanctions on Russian officials, banks and businessmen over Moscow's support for pro-Russian separatists in eastern Ukraine.

Washington has also warned Russia against the oil-for-goods swap with Iran and said that kind of deal would affect talks on Iran nuclear program.

In January, sources told Reuters Iran and Russia were negotiating a swap worth \$1.5 billion a month, but as talks progressed, the figures of potential oil sales edged lower and were quoted at a 10th of the original plan by sources of Kommersant in August.

Win-Win

Despite the possible political fallout, grain supplies are likely to be a win-win deal for Moscow and Tehran as Russia is set to harvest its largest wheat crop in six years, while Iran faces a poorer-than-expected domestic harvest.

Iran bought about 200,000 tons of wheat, traders said on Monday, as the Islamic Republic stepped up its import activity. In recent years, it has imported about 5 million tons of the essential staple, but sources estimate the current requirement at up to 6 million tons.

Gormakh estimated Iran's grain import needs at between 5 million and 7 million tons per year.

He also said shipping Russian grain supplies to Iran's southern ports, if agreed, was likely to be expensive, while Iran's northern ports would not be able to accept large vessels from Russia.

Russia, one of the world's largest wheat exporters, has already harvested 50 million tons from 64 percent of the planned area. Its wheat exports for the 2014/15 marketing year which started on July 1 are seen at 22 million tons by Russia's Grain Union.

Kazakhstan, Central Asia's largest grain producer, also hopes to increase grain supplies to Iran fivefold to 2.5 million tons per year, Kazakh President Nursultan Nazarbayev said in Astana on Tuesday.

He said the possibility of increasing supplies would come after the launch of the Iranian section of a railroad between Kazakhstan, Turkmenistan and Iran in November.

Kazakhstan has been exporting the bulk of its grain — mainly wheat and wheat flour — by rail. Nazarbayev did not say when 2.5 million tons of grain could be supplied to Iran.

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