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Russia's Food Import Ban and Crimean Annexation Boost Demand for Grain

By The Moscow Times

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Russia's ban on most Western food, the assimilation of the disputed Crimea region and people fleeing conflict in Ukraine are set to boost Russian grain demand this year, SovEcon, one of the country's leading agriculture consultancies, said.

Russia, expected to be the world's third-largest wheat exporter this year, is harvesting a near-record grain crop against a backdrop of worsening relations with Western countries over the crisis in Ukraine.

The European Union and the United States have imposed sanctions over Moscow's support for pro-Russian separatists in eastern Ukraine and the annexation in early 2014 of Ukraine's Crimean peninsula.

Russia banned most Western food imports in early August. This, together with an influx of people due to the Ukrainian crisis, will now cause a rare increase in Russia's generally flat

domestic grain demand, the SovEcon consultancy said.

"Domestic demand is a major factor [for exports this year]," Andrei Sizov, the head of SovEcon, told a conference in Moscow on Tuesday.

The Kremlin has banned food imports, including meat, worth about $9 billion from the EU, the U.S., Canada, Australia and Norway, in its strongest response to sanctions so far.

The government is considering measures to boost domestic meat production, which would trigger further growth in pig stocks and, thus, domestic demand for feed grain, Sizov said.

"The second factor is the growth in Russia's population thanks to Crimea — about 2 million people — and thanks to refugees from Ukraine — about 1 million people," he added. "All these people consume bread products."

Russia had a population of about 143.7 million people in early 2014, according to its statistics service.

SovEcon expects 2014/15 domestic grain demand in Russia to reach 71 million tons, up from 67 million a year ago. Its domestic wheat demand is expected to rise by 1.5 million tons to 36.5 million tons, the consultancy said.

Despite rising domestic demand, Russia's 2014/15 grain exports will still be able to reach a record 30.5 million tons, including flour, it added. In a previous forecast it pegged exports at 28.5 million tons in the current marketing year that started on July 1.

In late August Russia's Agriculture Ministry said in a letter addressed to Prime Minister Dmitry Medvedev that export restrictions could be an option if exports exceeded 26.9 million tons of grain out of an expected crop of 100 million tons this year.

However, officials said the government was not considering an export ban and that the letter included a list of options related to monitoring the grain market situation, not proposals.

SovEcon on Tuesday said it was also raising Russia's wheat export forecast to 22.5 million tons from the 22 million tons previously forecast and added that the Russian government was likely to be able to buy about 3 million tons of grain from the domestic market for state stocks.

Russia is expected to be world No. 3 wheat exporter in the 2014/15 marketing year after the EU and the U.S., according to the U.S. Department of Agriculture.

SovEcon sees the 2014 grain crop at 105 million tons, the second-largest grain crop in Russia's post-Soviet history and the largest in six years. Russia harvested a record 108 million tons of grain in 2008.

The consultancy expects Russia's 2014/15 barley crop to reach 19.8 million tons, with 3.5 million tons available for export and the maize crop at 11.8 million tons, with exports of 3.7 million tons.

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