

Grain Ban Will Be Lifted in a Month

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Prime Minister Vladimir Putin's decision to lift a grain export ban in a month caught industry players by surprise, but it is a welcome move that will return stability to the market, a leading grain producer said Sunday.

"There was much uncertainty on the market regarding when the ban would be lifted. Now the uncertainty is gone," Erik Lystedt, investor relations director at Sweden-listed Black Earth Farming, said by telephone.

Putin said Saturday that Russia would lift the grain export embargo July 1, three months ahead of a previous deadline, because of optimistic prospects for this year's harvest.

Industry players predicted that the country could export up to 10 million tons of grain harvested this fall, capitalizing on a discrepancy between domestic and international prices.

The government introduced the grain export embargo last August as grain crops shrank to 60.9 million tons, from 97 million tons in 2009, amid the worst heatwave in decades.

The government said in March that the ban, which was extended twice, would be lifted no earlier than late September, when prospects for this year's harvest were clear.

The government's measures to meet domestic grain demand and keep grain prices stable after the drought have proved effective, said First Deputy Prime Minister Viktor Zubkov.

"We have a stable grain market now," he said at a meeting at Putin's Novo-Ogaryovo residence.

The country has sown 24 million hectares this year — 10 percent more than in 2010 — and has 6 million tons grain in stock, which allows it to afford some exports, said Zubkov, who oversees agriculture.

"Given that we have grain now, the condition of the winter crops is good, and the spring sowing is going at a good pace, I suppose we can lift the export [ban]," he said.

Igor Vasilyev, head of Zerno Online, an industry information agency, said the decision should have been announced before the start of the spring sowing season, but he still welcomed it.

"Better late than never," he said by telephone.

Lifting the ban "is good news for everyone," said Igor Lazarev, a Krasnodar-based grain trader.

The decision will open new opportunities for Black Earth Farming, which is sowing 235,000 hectares of grain this spring, an increase of 30 percent from last year, Lystedt said.

Black Earth, which has fields in the Kursk, Lipetsk, Tambov and Voronezh regions, has recently finished construction of a storage facility enabling it to sell grain abroad and is looking forward to exporting this year, he said.

The demand for Russian grain will be high, Lazarev said, adding that local customers were already "queueing up" to buy Krasnodar wheat.

Vasilyev said Russia was unlikely to experience any problems returning to the export market because of the spread between the domestic and global grain prices, which allows the country to sell grain at a lower price than other exporters.

But, he said, domestic farmers will face competition with Ukraine, which canceled its grain export quotas last week.

Domestic grain prices currently stand at 5,200 rubles to 5,400 rubles (\$184 to \$191) per metric ton, which is about 50 percent lower than international prices, Zubkov said.

Domestic grain prices started growing several weeks ago and will continue rising following a global trend, Vasilyev said. However, this will not affect domestic bread prices, in which grain costs are only a minor factor, he added.

It remained unclear how much current stock may go for export in July, but the president of the Russian Grain Union, Arkady Zlochevsky, told Interfax that the export supplies in the first

months after lifting the ban could reach 3 million tons.

Additionally, Russia could export at least 10 million tons of grain sown in spring, but the government will only decide on how much it allows for export once the harvest is over in October, Vasilyev said.

The Agriculture Ministry said earlier that it expects from 85 million to 90 million metric tons of grain to be harvested this year.

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