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Grain Export Ban Lifted With Little Fanfare

By The Moscow Times

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Despite denials, Egypt may resume buying Russian wheat after paying “more than it needed to” in a June tender. **Eduard Korniyenko**

Grain sales were set for a slow start from Friday, when Russia returned to the global market as an exporter after an absence of nearly a year, but appetite for its wheat will return as stocks dwindle in importing countries and the attraction of its comparatively low prices overcomes reluctance to purchase supplies.

"Everybody expects us to start dumping grain, and nobody is ready to buy our grain at international prices," Arkady Zlochevsky, president of the powerful Russian Grain Union lobby, told reporters last week.

Russia, previously the world's third-largest grain exporter, imposed a ban on grain exports last August to stabilize domestic prices after the country's worst drought in more than a century.

Uncertainty over the possibility that the government could impose export duties if renewal of exports forces domestic prices too high has kept buyers cautious.

First Deputy Prime Minister Viktor Zubkov has said Russia might set an export duty on grain if milling wheat prices reach 6,500 rubles ($233) per ton.

A grain trader operating on the Russian market said the risks that a duty could be imposed were low as currently EXW prices for fourth-grade milling wheat were about 5,000 rubles per ton in the south of the country and even lower in the center, and were still falling.

Egypt, the world's largest wheat importer, excluded Russian wheat from its last international wheat purchase tender on June 23, buying 240,000 tons from the United States, France and Australia.

"Egypt paid millions of dollars more than it needed to in the June 23 tender. Market talk is that the difference is so big that Egypt will accept Russian wheat again soon despite official denials," a European trader said.

Some traders said buyers including Tunisia, Lebanon and Jordan were already accepting Russian wheat in their tenders.

Zlochevsky said the main buyers of Russian grain in North Africa had built up grain stocks to last about half a year, after which Russia will have a window of opportunity to increase exports.

The United States and European Union stepped up grain exports in the absence of Russia, but are less well placed to compete in 2011-12 with drought diminishing the crop potential in Western Europe. Flooding has also reduced their outlook for the U.S. spring wheat crop, making it easier for Russia to win back its customers.

Zlochevsky said Russia could increase feed wheat exports if the United States finds it would be cheaper to produce bioethanol fuel from feed wheat instead of more expensive maize.

"The Russian market will start to function again, and there is excess wheat that needs to be moved," said Dan Basse, president of U.S.-based AgResource Company. "But I think a lot of it will be moved into a feed sector because the world needs more feed."

Russia exported about 18 million tons of wheat in the pre-drought 2009-10 crop year and 2.8 million tons of barley.

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