



## **Expectations mount of Russian grain export levy**

Expectation is growing that Russia will follow Ukraine in slapping a levy on grain shipments to keep food prices in check, but handing a boost to rivals on the competitive crop export markets.

Russia's economy and agriculture ministries have backed a proposal by Sergei Ignatyev, the governor of the country's central bank, for a duty on exports once the price of third-grade milling wheat tops 6,500 roubles, or about \$235, a tonne, the Kommersant newspaper said.

The Russian Grain Union, an industry lobby group, has already suggested the introduction of a level on fourth-grade wheat, the type exported, once prices reach 7,000 roubles a tonne.

The degree of support for the measure has seen even critics of the measure, such as Andrey Sizov managing director of Moscow-based analysis group SovEcon, acknowledge that "it looks like this idea might be implement".

"This would of course be fantastic news for Europe, the US and everyone else competing with Russian in grain exports," while denying Russian producers access to full international prices, he said.

### **Meat vs grains**

Ukraine has already introduced export tariffs, as of this month, of 9% on wheat, subject to a minimum of E17 a tonne, 12% on corn, to a minimum of E20 a tonne, and 14% on barley, but no less than E23 a tonne.

The regime follows the lifting of quotas introduced last year after drought depressed crops in much of the former Soviet Union.

Mr Ignatyev proposed Russia's tariffs as a way of checking food inflation which doubled to 12.9% last year, after seeing a sharp decline during the global economic crisis.

However, Mr Sizov questioned how much cereals contributed to food price rises, noting instead that meat prices were "very high compared with the world market", despite significant support to the domestic livestock industry through measures such as loan interest subsidies and releases of cheap feed grains from state reserves.

The Russian meat sector, which the country is attempting to build up to reduce an emphasis on imports, is also protected from foreign competition by import quotas.



## **Duty details**

Questions remained as to what forms tariffs might take – whether they would be linked to domestic or Matif prices, applicable above a threshold level, of say \$250 a tonne, and whether they would be imposed on a set or sliding scale, Mr Sizov added.

Furthermore, there was likely to be some delay until any duties were imposed, potentially until the autumn, when the government would have a better idea of grain market prospects, following the northern hemisphere harvest, and of the direction of domestic food inflation.

Russia, which banned grain exports last August amid its worst drought on record, revealed last month that it would let the curbs lapse at the end of this month.

One major fear is that, while imposed as a temporary measure, the government would be reluctant to lift the levies even later, Mr Sizov said.

Export restrictions have a history of deleterious knock-on effects on production, reducing the incentive to maximize harvests, he added.

## **Agrimony**