

## **Russia's lingering woes bode well for wheat prices**

Russia looks set to remain a small-time grain exporter next year even if it lifts its ban on shipments, a prospect which bodes well for wheat prices in other exporting nations, Commerzbank has said.

Dependence by importers on other grain shippers, such as the European Union and the US, it to stay "high" for now, given Russia's inability to resume its place as the world's third-largest wheat exporter.

"This should support wheat prices" in Europe and the US, Commerzbank said.

The comments come the day after the US unveiled its best weekly wheat exports for two months, while the European Union said it had cleared 442,000 tonnes of soft wheat since the beginning of 2010-11 in July, a jump of 35% year on year.

Russia in August introduced a ban on wheat exports following its poor harvest, curbs many merchants believe will last throughout 2011.

### **Sowings progress**

Indeed, the drought which devastated Russia's harvest this summer - sending production 40% lower to 60.5m tonnes according to government estimates - persisted in many areas to hamper autumn sowings, leaving the winter grain area on track to fall well short of an initial target of 18m hectares.

Some analysts believe that even the revised official figure of 15.5m hectares may be an overestimate.

While many areas could be sown with spring grains instead, their lower yields will cut chances of rebuilding Russia's export surplus.

The Russian Grain Union, a powerful sector lobby group, said on Thursday that the country would need to harvest "a minimum" of 80m tonnes of grain next year merely to cover domestic demand.

"If we harvest less, we will put further development of the agricultural sector under threat," said Alexander Zlochevsky, the union's president.

Commerzbank said: "Even if wheat exports are permitted in the second half of 2011, the volume is likely to be well short of the 18m tonnes exported in [2009-10]."

### **Better weather**

The extent to which Russia is able to revive its grains production will depend in part on the severity of the winter, which typically causes losses of 8% in autumn-sown grains.

While frost-nipped areas can generally be resown, the lower yields that spring grains achieve would retain the size of the crop's rebound.

Recent warm weather, however, has proved favourable to crop development, Mr Zlochevsky said.

Meteorologix forecasters said in a weather briefing on Friday that while winter wheat "across most areas of Russia and the Ukraine continues to enter dormancy... warm temperatures in the far south may allow further development of wheat in south east portions of the Ukraine and in south Russia".

Agrimony