«Russia's plans to export 55 mln tonnes of grain to the emerging markets»

Recently, the Minister of Agriculture of the Russian Federation Dmitry Patrushev announced the possibility of exporting over 55 million tons of grain in the 2022-2023 agricultural year (July 1, 2022 - June 30, 2023), including 45 million tons of wheat. According to the Ministry of Agriculture, grain exports from the Russian Federation in the 2021-2022 agricultural year amounted to 38.1 million tons, including wheat exports - 30.7 million tons.

The available grain storage capacities in Russia allow storing up to 150 million tons, but only half of the granaries can be used for long-term storage (for a period of more than 6 months). The record harvest of last year, obtained in the wake of sanctions and high export duties, led to the fact that in 2023 the country entered with record grain residues in warehouses. And if the warehouses in Siberia were practically freed up, thanks to an increase in grain supplies to Kazakhstan, then at the end of the 1st quarter of 2023, the storages of the South of Russia contained wheat stocks 2.36 times higher than the average values of the last 5 years, and in the Center the stocks were 86% higher. The reason for the current imbalance is the change in the geography of grain supplies.

Thus, despite the fact that there are opportunities for storing 55 million tons of grain, there is a threat that the storages of the southern and central parts of Russia will no longer be able to accommodate the harvest of the new agricultural season.

At the same time, Russia continues to be the largest player in the grain market, and grain traders have successfully been able to adapt to work under sanctions. And today, solutions have already been successfully found to the logistical problems that have arisen because of them and problems due to restrictions on international transactions. Thanks to this, Russia will supply almost 56 million tons of grain abroad in the current agricultural season.

However, we should not forget that in the first half of the agricultural season, which ended on December 31, 2022, Russian grain exports were supported by high world prices. The second half of it takes place in conditions of a significant drop in prices, therefore, exports were activated only in March of this year, when most of the grain traders of the global market had already exhausted their stocks and began to offer grain of the future harvest for sale. Today, the main channels of Russian grain exports are concentrated in the Middle East and Africa, including Egypt, Turkey, Saudi Arabia, Iran, Kazakhstan and Nigeria.

The domestic seaport infrastructure allows transshipment and loading of volumes planned for export. However, the North-South transport corridor used to deliver grain to the markets of the Middle East cannot cope with the increased load, due to the poor development of the river infrastructure of the Russian part of the corridor, as well as due to a shortage of ships.

Another problem is that the markets of the Middle East and Africa, which are traditional for Russian grain exports, are already oversaturated, and logistical problems do not allow entering the market of China, the largest grain importer.

The capacity of Russian Railways in the eastern direction does not allow increasing grain supplies to Far Eastern ports, and from ports located in the European part of Russia, sea grain supplies to China are unprofitable, and grain suppliers from Canada, Australia and the USA have an advantage, since the delivery distance for them is much shorter.

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