

Weekly Russian Market Commentary

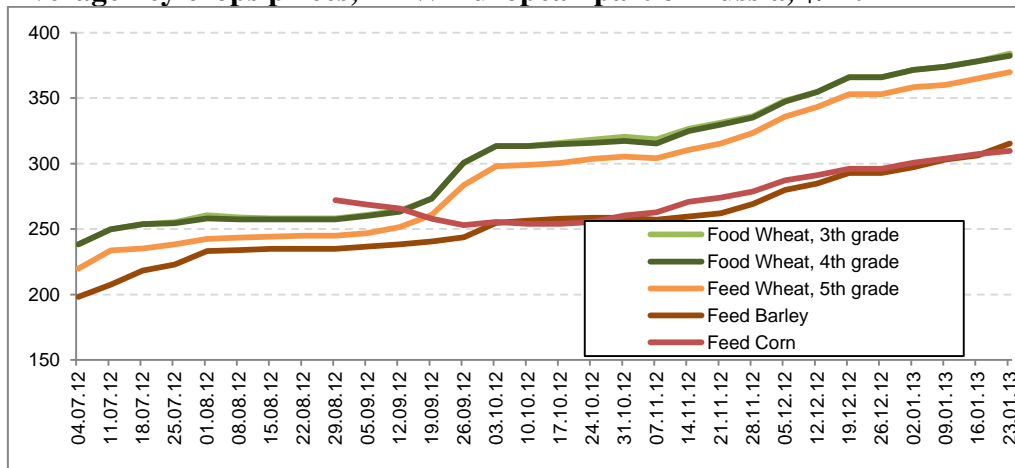
Jan.21 – Jan.25

Another week of strong growth for the Russian grain market, sunseeds prices' trend is turning bearish

In the previous week, prices for Russian crops continued to rise steadily. Milling Wheat, 3th grade prices increased by \$5.8/MT (175 ruble/MT), to \$385/MT (11,625 ruble/MT), Milling Wheat, 4th grade prices – by \$4.1/MT (125 ruble/MT), to \$384/MT (11,575 ruble/MT) (here and below: average offer prices, EXW European part of Russia, unless otherwise stated). Feed Wheat, 5th grade prices lifted by \$5/MT (150 ruble/MT), to \$371/MT (11,200 ruble/MT).

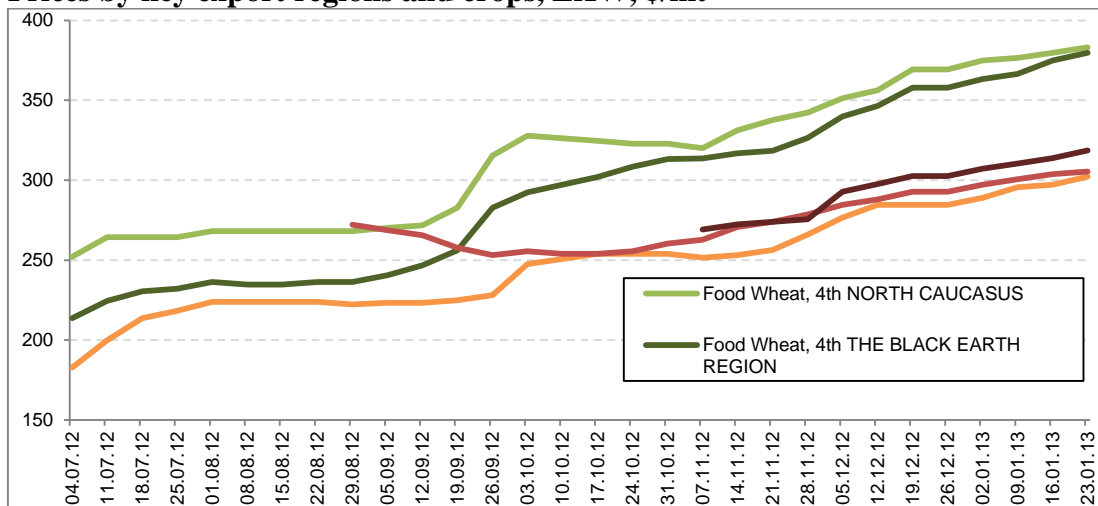
Prices for Feed Barley, which, until recently, was the cheapest feed crop, raised significantly by \$9.1/MT (275 ruble/MT), to \$317/MT (9,550 ruble/MT). Feed Corn prices increased by \$2.5/MT (75 ruble/MT), to \$311/MT (9,375 ruble/MT).

Average key crops prices, EXW European part of Russia, \$/mt



There are no purchases of wheat in ports. Maize purchasing prices at around \$308-312/MT (9,300-9,400 ruble/MT) (CPT ports), deliveries of grain to ports are at low level. Some exporters have difficulty forming stocks for arriving ships. Even in the North Caucasus, domestic corn processors often offer more attractive prices.

Prices by key export regions and crops, EXW, \$/mt



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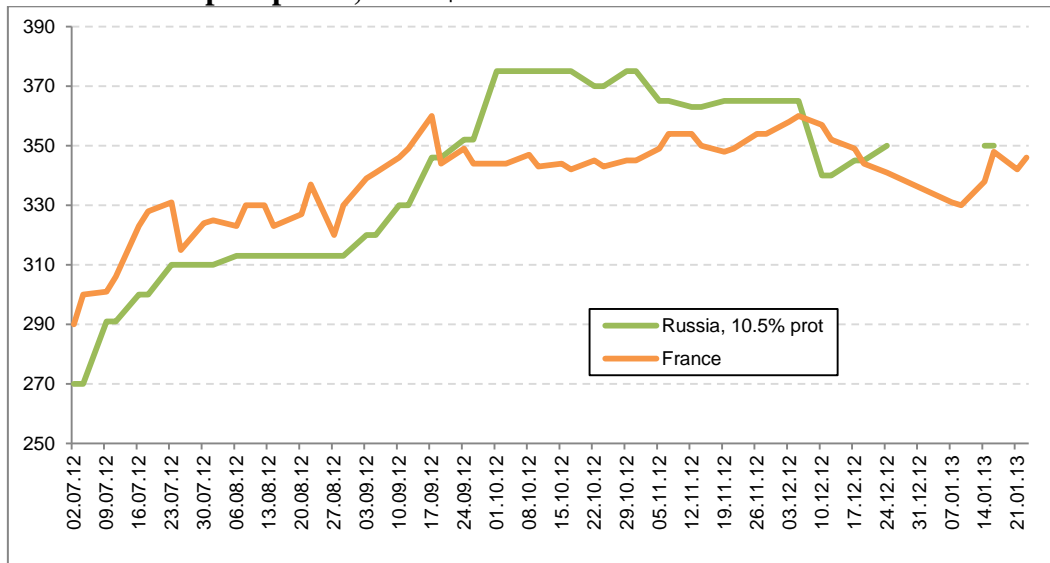
This week, market participants were discussing the possible lift of 5% import duty on grain. The corresponding project is considered by the Ministry of Agriculture. However, Deputy Prime Minister Arkady Dvorkovich said that it was not a matter of the nearest future. According to our calculations, the cancellation of import duty would lead to lower prices (by around \$18/t) for imported wheat on DDP, St. Petersburg. It would have significantly increased the attractiveness of import. However, presently, even with the current duty, in some regions of the European part of Russia, the calculated prices for imported wheat are already lower than the prices for the Russian wheat.

The government continues selling grains from intervention fund. Since the beginning of interventions, the government sold 1.27 MMT of Milling Wheat, 3th grade at average price \$275/MT (8,286 ruble/MT) and 0.18 MMT of Milling Wheat, 4th grade at \$279/MT (8,412 ruble/MT). Around 3.2 MMT of grain stocks are left in the fund. According to a statement from the Ministry of Agriculture, almost all intervention stocks to be sold before the end of the current season (until July 1).

SovEcon expects bullish trend will remain in force in the short term.

There is no export offers of Russian wheat as domestic prices are too high. As result of high domestic prices, calculated export prices would be higher than \$400/t. French wheat prices lifted by \$4/MT, to \$346//MT owing to the strength of Euro rate.

Food wheat export prices, FOB \$/mt



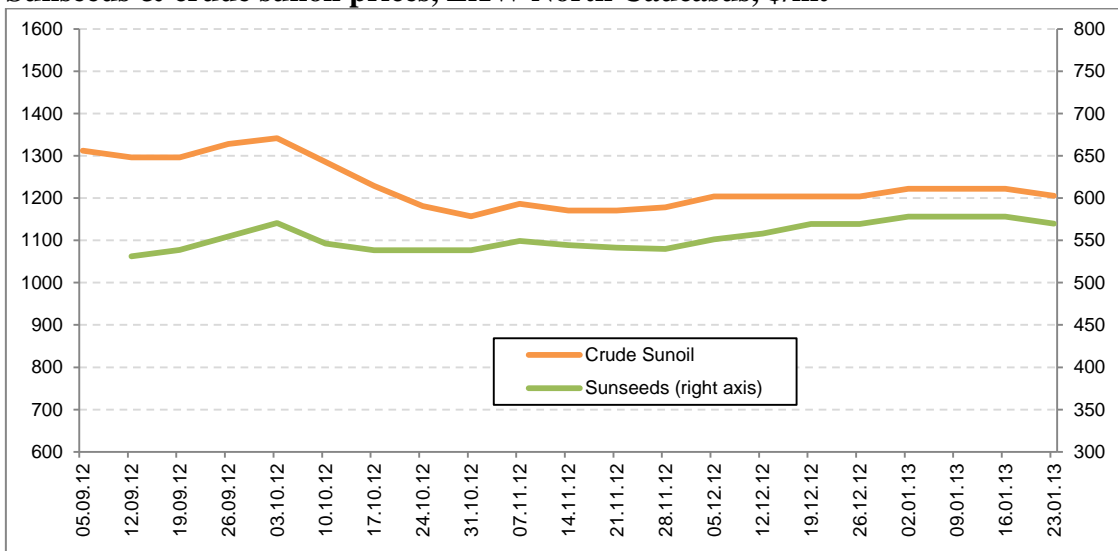
The expected reduction in prices starts to happen on the sunseeds market. In the previous week, average prices eased by \$8.3/MT (250 ruble/MT), to \$564/MT (17,000 ruble/MT). Sunseeds supplies remain high, while refineries reduce the purchase prices in effort to restore some crushing margin. Crude sunoil prices lowered by \$20/MT (600 ruble/MT), to \$1204/MT (36,325 ruble/MT). The marked growth of export is only possible if the prices will drop by some \$33/MT (1,000 ruble/MT) from the current levels. The export prices for sunoil generally remain stable, at around \$1160/t (FOB Black Sea).

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Sunseeds & crude sunoil prices, EXW North Caucasus, \$/mt



Crude sunoil prices, FOB Black Sea \$/mt

