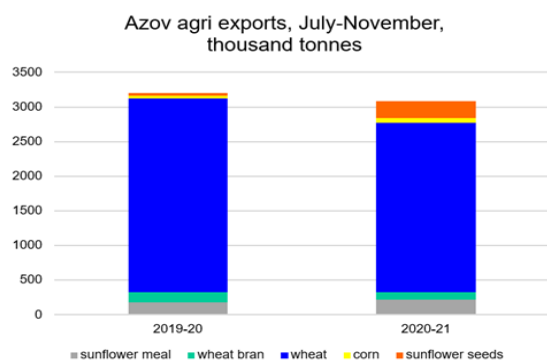


Consolidation of Russian grain exports makes the Azov ports an auxiliary link in the supply chain - Refinitiv Agriculture

The increase in grain exports by large companies based in Black Sea deep-water ports is accompanied by a decrease in grain shipments by small companies from shallow ports of the Azov region. This turns the Azov ports into one of the links in the export supply chain instead of self-sufficient export points. The grain Russian export quota and export taxes introduced in February 2021 can finally push out small exporting companies from the wheat export market and increase competition in the export of other agricultural goods, market participants believe.



The presence of a pool of state exporters on the Russian grain market since 2019 led to higher shipments by major players through Black Sea deep-water terminals and road transshipments with a decrease in grain exports from the Azov ports. The share of direct shipments from the ports of Azov in the total volume of wheat exports from Russia for the period July-December 2020 fell to 12% compared to 24% in the same period the year before, according to Refinitiv Trade Flows data.

High prices are also forcing importers to switch to purchasing larger volumes of grain. Importers from Turkey, Lebanon, Albania and Georgia have since the beginning of the 2020/21 season halved the import of coaster-size volumes of Russian wheat from Azov to 2.2 million tonnes during July-November 2020/21 compared to 4.5 million tonnes for the same period of the 2019/20 season, Refinitiv Trade Flows data showed.

A significant decrease in demand for shipments from the Azov ports was due to an increase in shipments through deep-water ports based on changes in the Turkish purchase policy. Turkey is one of the world largest importers of Russian wheat. The country boosted grain imports through international tenders by handy-size ships. The Turkish Grain Board (TMO) purchased 1.69 million tonnes of wheat through tenders between July and November 2020, up from 0.44 million tonnes over the same period 2019 year, according to Refinitiv.

In the current 2020/21 season there are fewer ways for small exporters to make money on grain exports, market participants believe. Some small companies have already stopped working as grain exporters in the Azov and Black Sea ports or are trying to find alternative exports, Refinitiv monitoring showed. Many have started supplying grain on CPT basis to large exporters. In previous years, deliveries on the CPT basis were considered as "not prestigious work".

Small and medium-sized companies are pessimistic about their future export activity prospects. Market participants believe that setting up a grain export quota and taxes in Russia would mostly benefit large companies. Pushing small exporters out of the market could narrow the grain market for farmers.

The market for other cereals and by-products will potentially remain an upcoming trend for the small export business. Such goods are less attractive to large exporters due to low trade volumes and high price volatility. Competition among surviving exporters in this segment is likely to intensify.

Source: Refinitiv

<http://ru.perspectives.refinitiv.com/market-insights/rossijskij-zernovoj-jeksport-ukrupnjaetsja-delaja-azovskie-porty-vspomogatelny-m-zvenom-v-cepochke-postavok/>