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Grain Export Quotas Distributed on 12 November 2010

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Report Highlights:

The Ukrainian Government is determined to implement grain export quotas. The Ministry of Economy announced on November 12, 2010 it has distributed quotas for 1.414 million tons of corn, 500 thousand tons of wheat, and 200 thousand tons of barley. The second round of applications for grain export quotas is open from November 4-18, 2010. A majority of the vessels loaded with grain but detained in Ukrainian ports since mid October, have been moving since release started late on November 8. Ukrainian agricultural producers estimate their losses at over \$ 1.25 billion due to restricted export of grain. Producers in Ukraine express readiness to supply 16 million tons of grains and oilseeds (overall) for export in the 2010/11 Marketing Year.

General Information:

Today, November 12, 2010, The Ministry of Economy of Ukraine held a meeting where grain export quotas decisions were made. The Ministry announced distribution of

- 1.414 million tons of corn
- 500 thousand tons of wheat, and
- 200 thousand tons of barley

The names of the companies and respective quantities are expected to be published on the Ministry of Economy's website by 18:00 (Kyiv time) on November 12, 2010. The First Deputy Minister of Economy – Mr. Maksiuta – informed the public that export licenses can be expected to be issued within 1-2 days from today's date. Applications for the remaining 586 thousand tons of corn that have not been distributed yet will be accepted till later date.

Originally, the application period for grain export quotas was announced to be October 20 – November 3, 2010. However, due to administrative issues at the Ministry of Agrarian Policy of Ukraine grain traders were not able to complete their grain export quota application packages and did not submit any applications to the Ministry of Economy.

On November 4, 2010, the Ministry of Economy reopened the application period to be in effect till November 18, 2010. Within the first few days of the second application period grain traders applied for export quotas for 1.414 million tons of corn, 544.58 thousand tons of wheat, and 224.3 thousand tons of barley. To accommodate the interests of all the applications, the Ministry reportedly reduced each applicant's submitted quantities by 1.09 and by 1.12 for wheat and for barley respectively.

Over 200 thousand tons of grain were trapped in the vessels in ports of Ukraine since mid October when the export quota implementation decision was made by the Government of Ukraine (GOU). Starting November 8, 2010, vessels loaded with grain for export that were detained have now been slowly released. Since then, about 150 thousand tons of grain and oilseeds have already left the ports of Ukraine and another 80 thousand that is loaded on the vessels is still waiting for the "green light."

Over the last months, the media reported numerous appeals from Ukrainian enterprises and from international bodies to the GOU in regard to grain export restrictions and quotas. Non-transparency of the procedures implemented by the GOU and a lack of predictability have been the main concern.

On November 10, the respected grain and oilseeds market consultant APK-Inform reprinted in its newsletter a press release of the Ukrainian Agrarian Confederation (UAC), signed by Mr. Stoyanov, Director General. To paraphrase this editorial:

The export quotas declaration instituted on October 19 by Cabinet of Ministers Resolution #938 lacks legal validity. Ukraine's Law "On State Support to Agriculture" number 1877- IV, dated June 24, 2004, article 14.1 stipulates that any decisions by the Cabinet of Ministers or any other State Authority or Regional Authority or their subordinate offices, are not able to lawfully restrict the rights of agricultural producers to own or to use their products, or to apply qualitative, quantitative, or transportation restrictions on agricultural producers' use of their production, whether for the domestic or export market.

On November 11, 2010, the Ukrainian Association of Farmers and Private Landowners reportedly addressed the

highest GOU authorities, requesting a cancellation of grain export quotas and asking the President of Ukraine to take steps to and lift any existing grain export restrictions.

Ukrainian agricultural producers estimate their losses at over \$ 1.25 billion due to restricted export of grain that has been affecting their operations since late July 2010. Producers in Ukraine express readiness to supply 16 million tons of grains and oilseeds (overall) for export in the 2010/11 Marketing Year, while they estimate the overall production of grain and oilseeds this year to be close to 41 million tons.

From the beginning of this Marketing Year - July 2010 – exports of grains and oilseeds from Ukraine have seen a slow-down on an on-and-off basis due to administrative measures aimed at reducing the flow of grain from the country to ensure adequate domestic supplies and to keep the domestic prices for grains (mainly wheat) at bay.

Since July 2010, Ukraine has exported an estimated 2 million tons of barley, 2 million tons of wheat, over 800 thousand tons of rapeseed, about 500 thousand tons of corn and some sunflower seeds and soybeans. (see Table 1)

Table 1. Export of major grains and oilseeds from Ukraine, tons, MY 2010/11

Crop	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10*	Subtotal
Barley	420,000.00	832,000.00	560,000.00	200,000.00	0.00	2,012,000.00
Corn	79,000.00	10,500.00	140,000.00	275,000.00	0.00	504,500.00
Rape seeds	28,000.00	344,500.00	222,000.00	172,000.00	91,000.00	857,500.00
Soya beans	26,000.00	8,000.00	1,300.00	18,000.00	8,700.00	62,000.00
Sunflower seeds	125,000.00	53,000.00	31,000.00	93,000.00	15,000.00	317,000.00
Wheat	395,000.00	530,000.00	575,000.00	558,000.00	5,600.00	2,063,600.00

* Export of grains and oilseeds from Ukraine up to November 10, 2010.

Source: USDA, FAS estimates