

Voluntary Report – Voluntary - Public Distribution

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Report Name: Eurasian Economic Commission Sunflower Export Ban to be Amended

Country: Russian Federation

Post: Moscow

Report Category: Agriculture in the News, Oilseeds and Products, Agricultural Situation

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Report Highlights:

EEC authorities plan to extend the current restriction on exports of sunflower seeds outside EAEU countries through August 31, 2020 in order to “stabilize prices for sunflower oilseeds on the internal market”. However, the ban will be lifted in favor of a less restrictive regime that only applies to sunflower seeds.

Due to the COVID-19 pandemic, which broke out in March 2020 in Russia, on April 12, 2020, the Eurasian Economic Commission (hereinafter – the EEC) enacted a ban on exports of sunflower seeds (HS Code 1206009900), soybeans (HS Code 1201900000), rice (HS Code 1006201500), buckwheat (HS Code 1008100009), onions (HS Code 0703101900), garlic (HS Code 0703200000), turnips (HS Code 0706100009), millet (HS Code 1104293000), cereals (HS Code 1103199009), crude flour (HS Code 1103131000), and cereal pellets (HS Code 1103209000) through June 30, 2020. According to the EEC, the purpose of this restriction was to “provide the population with a sufficient amount of these commodities during the pandemic”. (Please refer to Temporary EAEU Export Ban on Some Food Items | Trade Policy Monitoring, FAIRS Subject Report, Oilseeds and Products | Moscow | Russian Federation | April 03, 2020 | RS2020-0013 <https://gain.fas.usda.gov/#/search>.)

This restriction mostly affected exports of sunflower seeds and soybeans, which prior to the ban had been expected to help boost Russia’s total agricultural export sales this year. In addition, this decision was highly criticized by some Russian market observers who doubted that such a ban would saturate the internal market and would only be favorable to the processing industry, primarily sunflower seed processors, who actively lobbied for this measure as early as in winter/early spring 2020. Analysts also argued that the ban would trigger higher prices for sunflower seeds and soybeans. This measure also hit rice producers who rely on exports and have made an effort to expand their overseas markets, such as Libya, Lebanon, Syria, Turkey, Albania, Jordan, etc.

On June 16, 2020, the EEC decided to establish a special regime for the export of sunflower seeds from the EAEU territory from June 30 to August 31, 2020. Until June 30, the export of sunflower seeds is prohibited per EEC Collegium Decision No. 43. After that, sunflower seed exports will be possible through August 31, 2020, on a permit basis. This means that for the export of seeds, an exporting party will need a permit that can be obtained from the authorized body for this in each EAEU country. It is not yet clear which entity will operate as such an authority in Russia. The special regime appears to only apply to sunflower seeds, excluding other commodities.

The Russian Ministry of Economic Development will prepare a corresponding draft resolution for this initiative. In addition, the export duty on sunflower seeds will likely increase significantly to 20 percent, but not less than 80 euros per ton, from the current 6 percent, but not less than 9.75 euros per ton. Once finalized, the change in export duty would be valid from February 1 to August 31, 2021. The corresponding draft resolution of the Ministry of Economic Development should be submitted before September 15 of this year. The rationale behind this initiative is that it should stabilize prices on the internal market.

The Russian Grain Union has been consistently critical of the potential decision to impose an export ban and believes it will negatively affect small farms and farmers, while bringing profits to the oil processing industry. They also state that sunflower carry-over stocks are excessive and Russia expects another record harvest of sunflowers and, therefore, such an extension would cut off exports at a time when they have great potential.

Despite the current export restriction and contrary to the expectations of the Oil and Fat Union, sunflower seed prices are still increasing. Due to the demand for oil, sunflower prices are at a historic maximum of 28 thousand rubles per ton. For example, Turkey reportedly needed more sunflower seeds to meet its obligations to export refined deodorized oil, so the country had to purchase additional volumes of crude oil. According to the "Center for Agricultural Analytics" of the Ministry of Agriculture on June 4, the average price was 21.9 thousand rubles/ton, which is 317 rubles more than on May 28, and 3.2 thousand rubles more than in early June 2019. By May 1, 2020, privately held oilseed stocks in Russia (not including small enterprises) decreased by 30.1 percent compared to the same date in 2019. It is expected that rising prices will also contribute to rising world prices for sunflower oil.

Russia also has enacted a quota on exports outside of EAEU member countries of key grains (wheat, barley, rye and corn) in the amount of 7 million metric tons starting April 1 through June 30, 2020. The quota was reportedly imposed in order to ensure the agriculture and food security of the country (Please refer to GAIN RS2020-0014 **Russia Initiates Grain Export Quota and Intervention Purchases**).

Attachments:

No Attachments.