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MARKETS | AUGUST 6, 2010, 10:42 A.M. ET

## Russia Boosts Security on Grain Stocks

By IRA IOSEBASHVILI

MOSCOW—Russia's state grain trader said Friday it was increasing security around government grain stocks, as supplies dwindle amid the country's worst drought in decades and fires continued to rage.

The decision was made due to "a deterioration of the situation in Russia's grain market, caused by fires and drought in over 25 regions of the country," United Grain Co. said in a statement.



Wheat futures prices today soared to their highest levels in two years after Russia said it would ban grain exports due to a severe drought. Liam Pleven and Mike Reid discuss this development.

Some 700,000 tons of grain are awaiting export ahead of a Russian government export ban, the official Russian grain industry association said. On Thursday, Prime Minister Vladimir Putin said Russia would ban grain exports from Aug. 15 to the end of the year to protect local grain users from high prices and scarcity.

The news caused wheat prices to surge, extending a rally that is driving up the cost of corn and other substitutes, and underscoring the risk of a broad shock to the global food supply. Wheat futures came off highs Friday, with the September CBOT wheat futures contract recently trading 3.25 cents higher at \$7.89 a bushel after hitting an intraday low of \$7.80 a bushel.

The Russian Grain Union, based in the headquarters of the Agricultural Ministry, has asked the Russian government to postpone its ban on grain exports to Sept. 1 in order to allow grain en route to ports to leave the country, but it hasn't yet received a reply, spokesman Anton Sharapin said Friday.

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The Novorossiysk port on the Black Sea has 500,000 tons of grain awaiting export in grain elevators, and a further 200,000 tons is en route to the port in railcars, with additional grain in trucks, Mr. Sharapin said.

Russia's rail authority, however, said it will suspend the transportation of export grain on rail routes throughout the

country from Saturday. It said there were currently 1,600 cargo trains loaded with export grain accumulated on the approaches to Novorossiisk, Russia's main grain export outlet.

Russia has also asked Belarus and Kazakhstan, its partners in a recently formed customs union, to follow it in halting grain exports, fearing that Russian grain will be exported via the two countries. An official at Kazakhstan's agriculture ministry, however, said there was currently no need to impose such a ban.

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Russia has become an increasingly important force in the global supply of grains and Mr. Putin's move reignited fears that nervous governments will begin hoarding their own supplies, potentially causing a shortage. Nations that already are struggling to feed themselves are scrambling to lock in deliveries, while food companies are facing costs, as are farmers who need grain to feed livestock.

Memories of the grains shortages and price spikes of 2008, which sparked world-wide food riots, are still fresh. The world's stockpiles are still much higher than two years ago, and prices far lower, but many worry the situation will worsen. The biggest

weather-related concern is that the drought will persist into early fall, the planting season for next year's crop.

Temperatures of up to 39 degrees Celsius (102 degrees Fahrenheit) were expected Friday, with forecasts saying the scorching heat would continue until next week. The scorching temperatures have sent Moscow's mortality rate soaring: 14,340 deaths were recorded in the capital in July, a 50% increase from the a year earlier, the city's registry office said.



AFP/Getty Images

Russian farmers display wheat that has been ruined by excessive heat and dehydration in Mokrye Kurnali.

Fires also continued to rage, as Moscow was blanketed in smoke. The Emergency Services Ministry reported only minimal progress in fighting the fires consuming the European parts of the country: in the last 24 hours, the total area ablaze shrank slightly to 180,000 hectares (444,790 acres) from 194,000 hectares the previous day.

The number of large fires, however, grew to 73, from 53 on

Wednesday, the ministry said. In many regions, the situation remained dire. Four separate fires burned out of control in the Nizhny Novgorod region, where more than 750 houses have burned to the ground, although authorities said they didn't threaten any towns.

In the Moscow region, troops moved artillery shells and other ammunition from a military base as fire approached. Moscow itself was choked with smog, with visibility on roads limited to 50 meters (55 yards) Friday morning. Some flights were redirected from Moscow's Vnukovo and Domodedovo airports due to visibility problems, a spokeswoman from Sheremetyevo International Airport, the city's largest, said by telephone.

— William Mauldin, Grigory Gerenstein, Liam Plevin, Gregory Zuckerman and Scott Kilman contributed to this article.

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