

*Russian Grain Export / Future and Bottleneck*

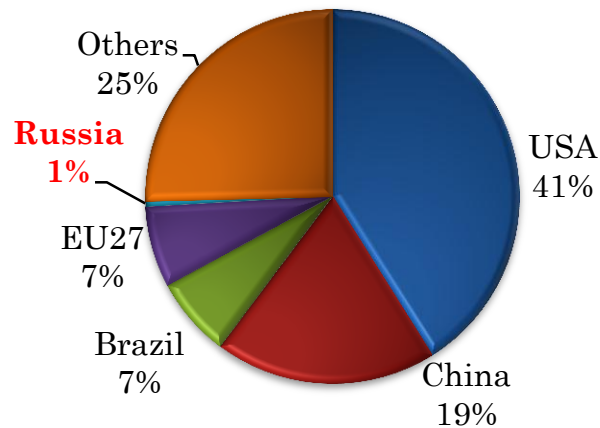
**Marubeni Corporation**

**November 12, 2010**

## Status of Russia in World Grain & Oilseeds Market

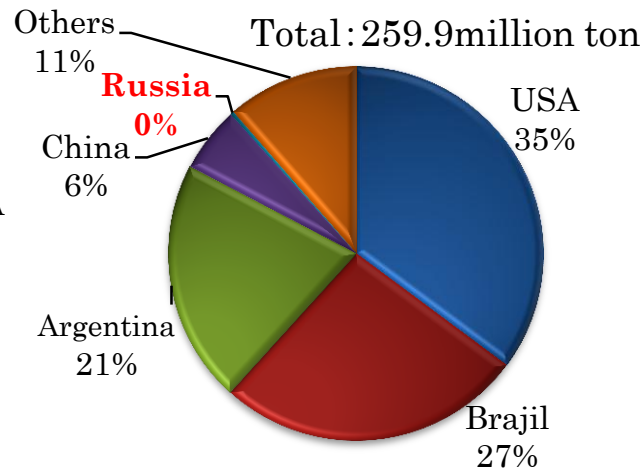
### Corn Production

Total: 810.3million ton



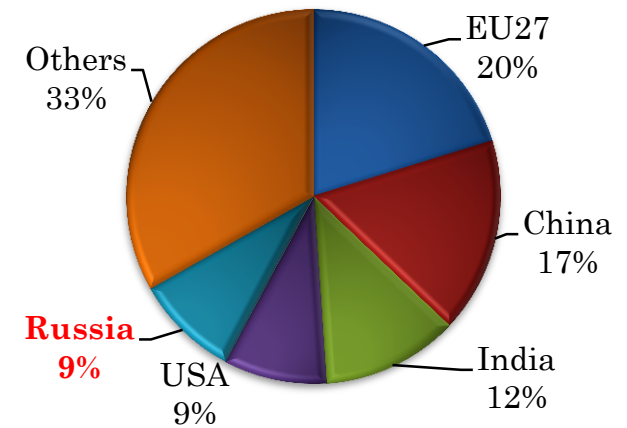
### Soybean Production

Total: 259.9million ton



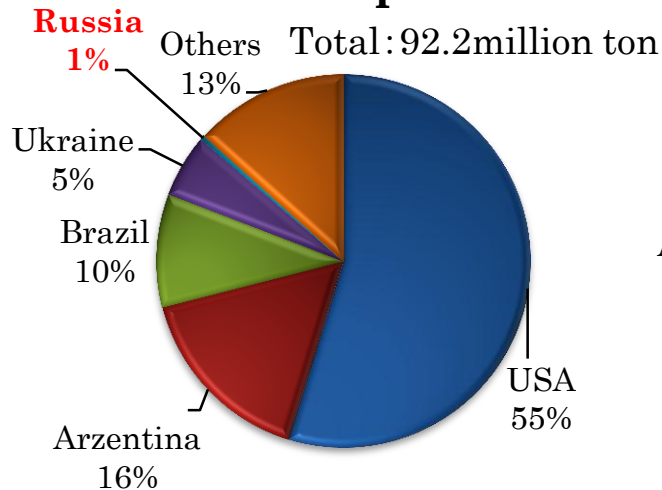
### Wheat Production

Total: 682.2million ton



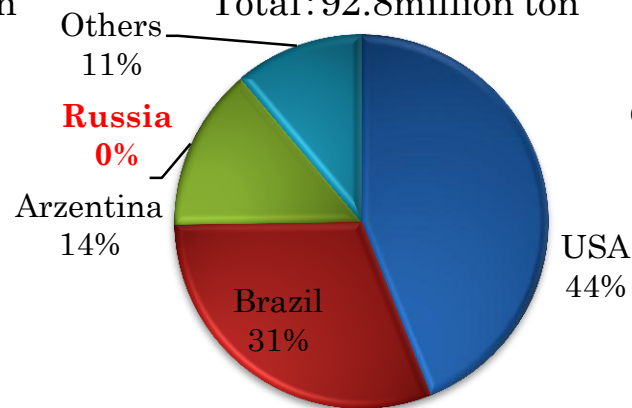
### Corn Exports

Total: 92.2million ton



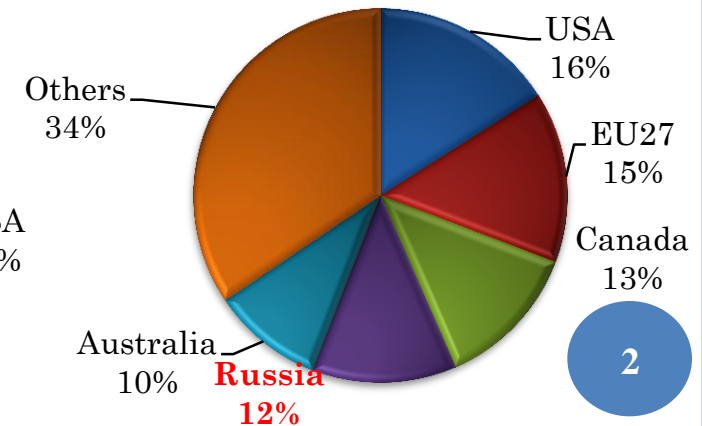
### Soybean Exports

Total: 92.8million ton



### Wheat Exports

Total: 135.3million ton

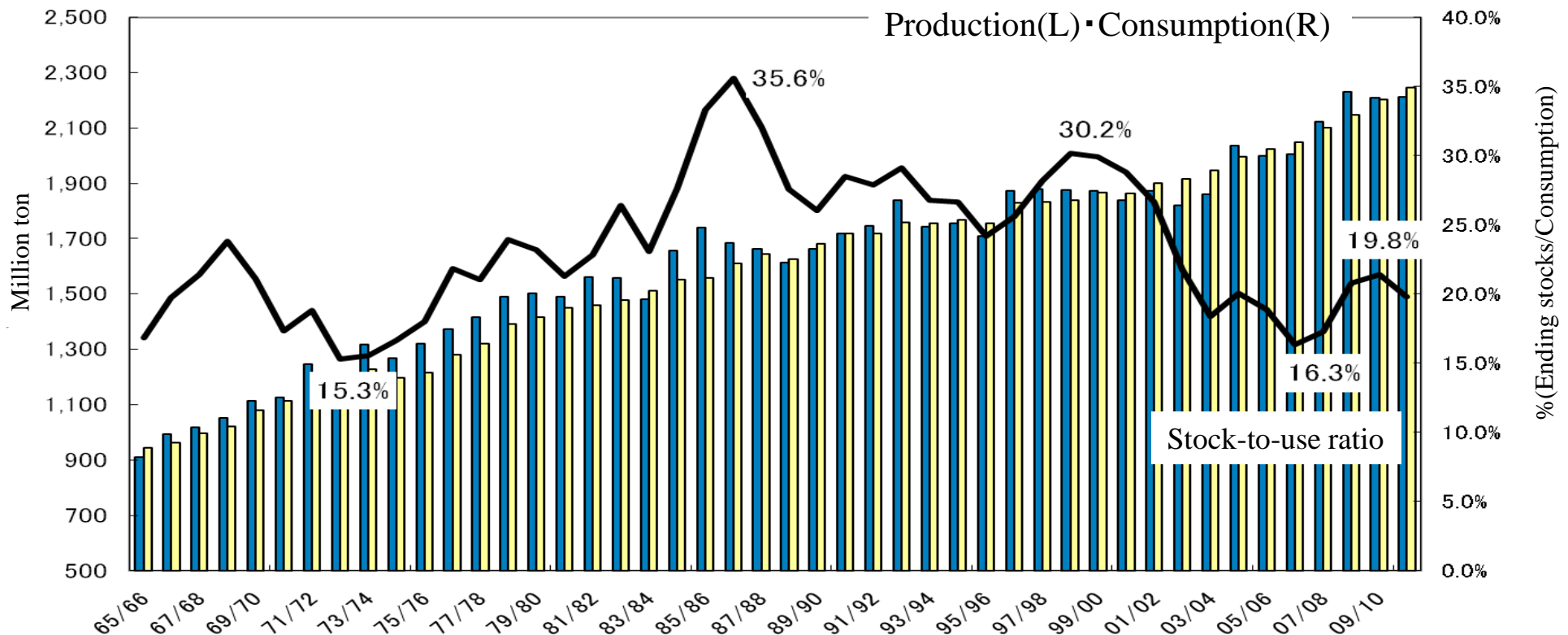


○ Important status in Wheat, not in Corn nor Soybeans

# Supply/Demand situation of Grains in the world①

~Stock-to-Use Ratio is gradually decreasing~

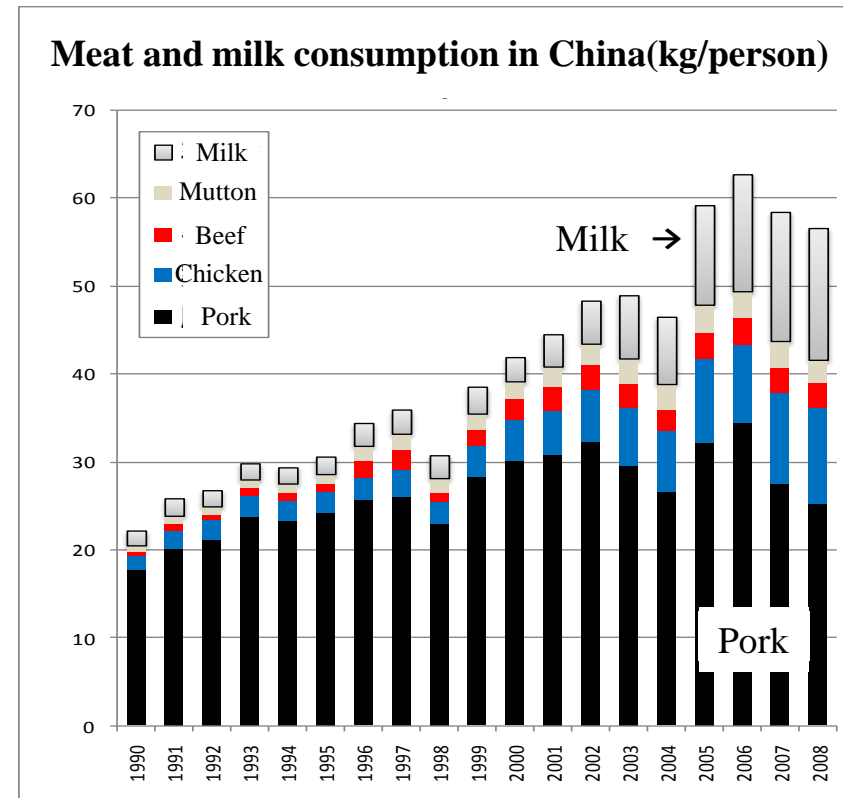
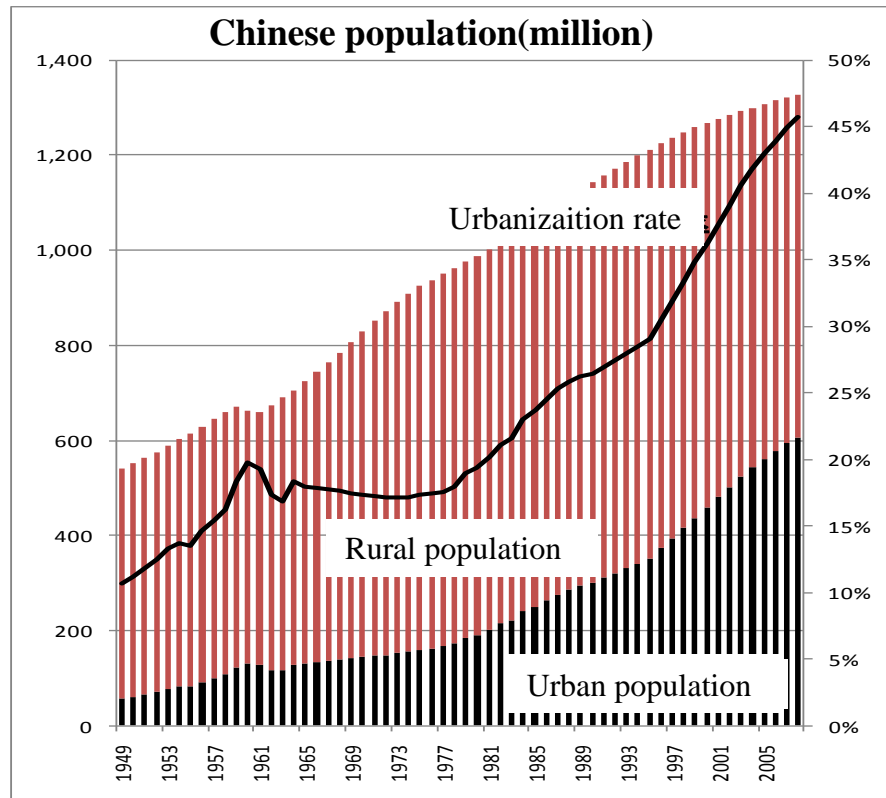
## Production/Consumption and Stock-to-Use Ratio



- Main reasons for increase of consumption are China's explosive food demand and surging demand for bioethanol supported by U.S. government.

## Supply/Demand situation of Grains in the world②

~China's explosive food consumption~

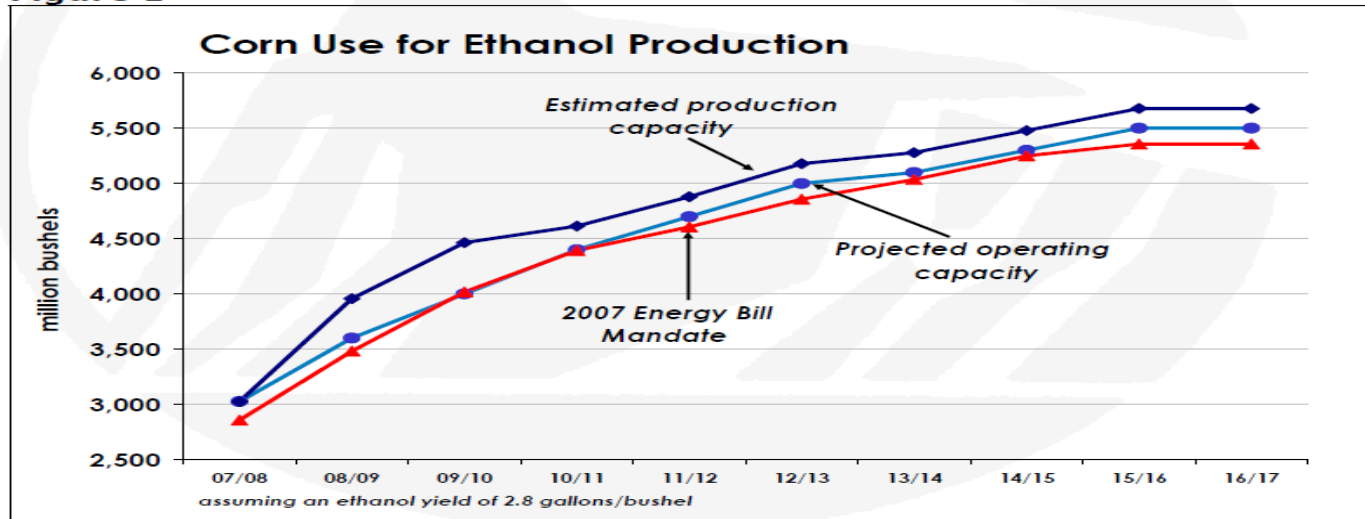


- China imports 55 million tons of soybean a year. China is now a net-importer of corn and, for the future, increased import of wheat is also expected.

## Supply/Demand situation of Grains in the world③

~Surging demand for bioethanol ~

Figure 1



Source: USDA, Prudential Bache Commodities, LLC

- Consumption of corn for ethanol is surging. 116 million tons of corn will be consumed for ethanol in 2010, which equal to 2.5 times of U.S. corn export.
- About 140 million tons of corn is “needed” to fulfill required volume of corn use by RFS hereafter.
- **Global S/D for grains become more and more tight as grain supply is absorbed for energy use.**

## Supply/Demand Situation of grains in the world④

~Increasing presence of Russia in Wheat and Barley Trade~

- Global supply and demand for grains become tight year by year due to China's explosive food consumption and surging ethanol demand

⇒Increased demand for wheat as an alternative feed grain.

### 【Wheat Production】

1	EU-27	138.9
2	China	113.8
3	India	80.7
4	Russia	61.7
5	USA	60.3
6	Canada	26.5
7	Pakistan	24.0
8	Australia	22.5
9	Ukraine	20.9
10	Kazakhstan	17.0
	Total	680.0

### 【Wheat Exports】

1	USA	24.1
2	EU-27	21.0
3	Canada	18.0
4	Russia	17.5
5	Australia	14.5
6	Ukraine	9.2
7	Kazakhstan	7.5
8	Arzentina	4.0
	Total	128.9

### 【Barley Production】

1	EU-27	61.5
2	Russia	17.9
3	Ukraine	11.8
4	Canada	9.5
5	Australia	8.3
6	Turkey	6.0
7	USA	4.9
	Total	148.8

### 【Barley Exports】

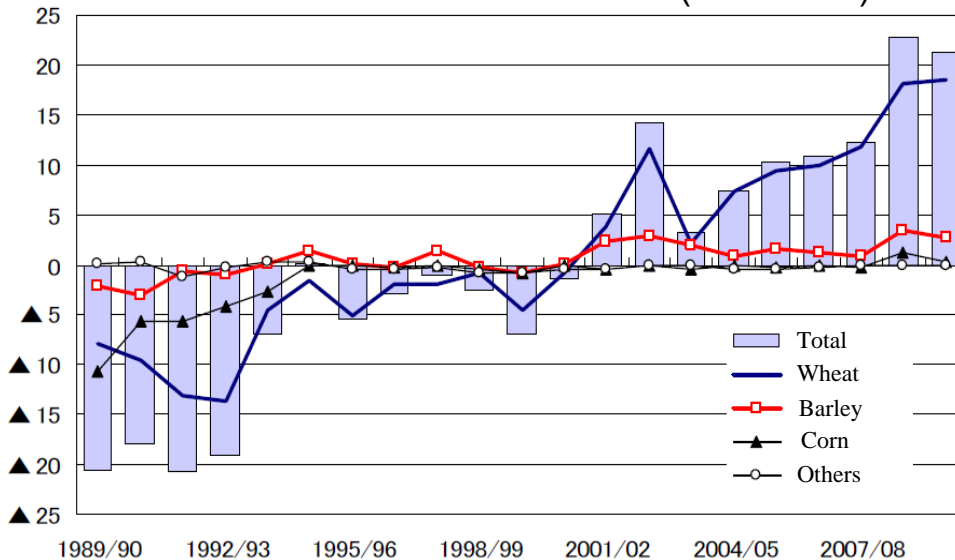
1	Ukraine	6.0
2	Australia	3.4
3	Russia	2.1
5	Canada	1.4
6	EU-27	1.0
	Total	16.0

- Presence of Russia is increasing in wheat and barley market as their export share is 13-14% of total world export.

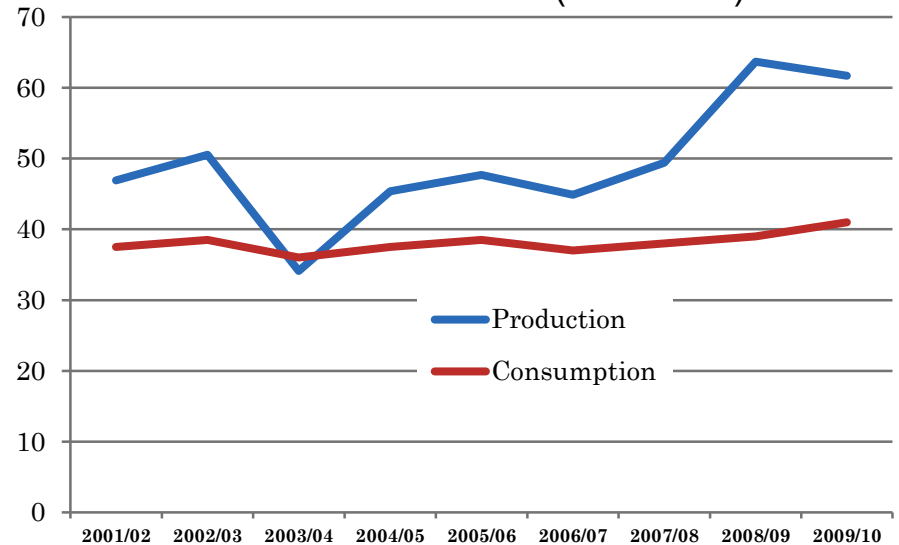
## Russian grain overview①

~Transition from importer to exporter~

Amount of Grain trade in Russia (million ton)



Wheat in Russia (million ton)



- Russia was one of the largest importer of wheat until the early 1990s, but changed to a net-exporter since 2001.
- Domestic demand has decreased due to depressed livestock industry caused by surged meat/dairy import along with economic deregulation.
- Upward trend of yield and economy has been observed since 2001 and will be expected for the future.

## Russian grain overview ②

~Export market of Russian grains ~



- Main buyers of Russian wheat are Middle-East and North African countries such as Egypt, Turkey, Syria and Iran. Wheat and barley are mostly dispatched from the coast of Black Sea while very limited amount of grains are exported to Japan and SouthEast Asian countries.
- ⇒ Three major “bottlenecks” in Russian grain export.



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## Three major “Bottlenecks” in Russian grain export

- Insufficient siloes/warehouses in grain producing area
- Insufficient flow from producing area to export terminals
- Insufficient facilities/systems at exporting port

**For above three points, Russia is far-away under-developed compared with USA, the world's largest grain exporter.**



## Comparison between Russia and USA

	USA		Russia	
Production	426 million ton		108 million ton	
Export quantum	108 million ton		23 million ton	
Grain storage capacity	about 550 million ton		about 80 million ton	
	Port in PNW (west)	Port in GULF (east)	Port in Black sea and Azov (west)	Port in Far East (east)
Elevator export capacity	34 million ton	67 million ton	12 million ton	0 million ton
Logistics from country elevator to Export port	train/barge	barge/train	train	train
Number of days from country elevator to Export port	3 ~ 5 days	7 ~ 17 days	4 ~ 14 days	4 ~ 20 days

- Delivery of grain to exporting port is frequently delayed because of train shortage.
- Long-term quality maintenance is impossible because of old country elevator.  
Grains are often wasted/disposed because of capacity shortage.
- Export from Far East is limited because there is no Elevator to export.

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## To increase Russian grain export –

- Investment in country elevators, logistic network and port facilities and override the “bottlenecks” .
- Improve the quality by Governmental Support and introduce more strict/reliable Standards.
- Assure Free Trade and avoid any kind of Governmental Intervention in order to be a reliable exporter.

