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Russia, Crippled by Drought, Bans Grain Exports

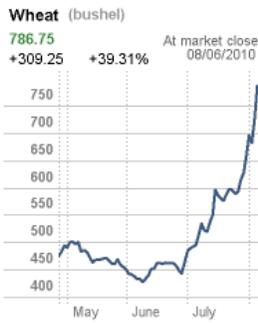


Natalia Kolesnikova/Agence France-Presse — Getty Images

Russians fought a fire near the village of Golovanovo, in the Ryazan region of Russia on Thursday. [More Photos](#)

By ANDREW E. KRAMER
Published: August 5, 2010

MOSCOW — Prime Minister [Vladimir V. Putin](#) on Thursday banned all exports of grain after millions of acres of Russian wheat withered in a severe drought, driving up prices around the world and pushing them to their highest level in two years in the United States.



Source: Reuters The New York Times

The move was the latest of several abrupt interventions in the Russian economy by Mr. Putin, who called the ban necessary to curb rising [food prices](#) in the country. [Russia](#) is suffering from the worst heat wave since record-keeping began here more than 130 years ago.

“We need to prevent a rise in domestic food prices, we need to preserve the number of cattle and build up reserves for next year,” Mr. Putin said in a meeting broadcast on television. “As the saying goes, reserves don’t make your pocket heavy.”

During his years as president and prime minister, Mr. Putin

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Wildfires Spread in Russia

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A girl walked past a burned house on Thursday in Mirny, a Russian village ravaged by wildfires sparked during the worst drought in decades. [More Photos](#) »

has never hesitated to marshal the power of the state to protect Russian economic interests, and this decision showed that this has remained his prerogative even after he stepped down as president.

Mr. Putin has also proved adept at deflecting criticism of the government with grand gestures, and the export ban was widely seen as one of a series of populist moves by Mr. Putin to address rising resentment over the calamitous heat wave and the fires it has spawned.

Pressure was also brought to bear by multinational grain trading companies, which have been lobbying for the ban as a way to escape futures contracts drawn up before the drought, when prices were far lower. A Russian subsidiary of Glencore, the Swiss-based commodities trading company that has close ties to the Russian government, pressed hard as the scope of the drought's devastation became clear.

Wheat prices have soared by about 90 percent since June because of the drought in Russia and parts of the [European](#)

[Union](#), as well as floods in Canada, and the ban pushed prices even higher. Exports from Ukraine, another major exporter, are down sharply this year.

Russia, the largest grain-exporting nation before World War I, has largely recovered from failed Soviet agricultural policies, lifted by rising global food prices and economic reforms that encouraged private farmers and companies to once again till the country's expansive and fertile croplands. Before this year's drought, yields had risen steadily, and Russian grain exports totaled 21.4 million metric tons last year, about 17 percent of the global grain trade.

But on Thursday, rail cars heaped with fresh grain came to a halt around Russia, stopped in midjourney from the country's fields to the main exporting ports on the Black Sea. The order covered a variety of grains, including barley and corn, but will have its greatest impact on wheat exports.

Mr. Putin said that the government might extend the ban if the harvest yields even less than the current grim forecasts. The projected yield is about 70 million metric tons of grain, according to the Russian Grain Union, a lobbying group for farmers, about equal to domestic needs and down sharply from last year's total of 97 million metric tons.

The group was sharply critical of Mr. Putin's decision. "First of all, you can congratulate American farmers, who are going to take the niche that Russian farmers are leaving" in global markets because of the ban, said Anton V. Shaparin, a spokesman for the group. He added that Russia's reserves could cover the shortages from this year.

Owing to last year's bumper crop, Russia currently holds about 24 million metric tons in grain elevators, the group said.

In Egypt, the world's largest wheat importer and a major customer of Russia, officials said only that they hoped current contracts would be honored.

The abrupt ban — just this week, a deputy agricultural minister had said no such measure would be taken — recalled other decisive actions by Mr. Putin. Last summer, he canceled Russia's bid to join the [World Trade Organization](#), saying the country would apply only as a



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customs union with Belarus and Kazakhstan. Mr. Putin twice ordered natural gas shutoffs to Europe amid disputes with Ukraine ostensibly over pricing.

The Russian agro-business sector, which has just been emerging here from the ashes of the failed Soviet collective farm system, was also left pondering its future.

Russia, blessed with the greatest reserve of fertile but fallow land in the world, is thought by many experts to have the greatest potential of any country to meet mounting demand for food from a growing global population.

Michel Orloff, the founder of Black Earth Farming, one of the new corporate farming operations that have raised yields by consolidating and reforming collective farms, said Mr. Putin's ban made sense from the perspective of curbing domestic food prices but would cost companies like his.

"We are on the verge of national need," Mr. Orloff said. "Of course, the freer the market, the better. But his job is not only to take care of the farmers of this country, but the citizens of this country."

Kingsmill Bond, chief analyst at Troika investment bank in Moscow, which has studied the revolution in Russian farming, said the ban would damage shares in corporate farming operations like Black Earth, Razgulay and Cherkizov.

Still, he said, "grain is an emotive issue; you want to make sure you have sufficient supplies."

A version of this article appeared in print on August 6, 2010, on page A1 of the New York edition.

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