

# Ukraine scrambles to store grain as Russian export blockade kicks in

Amid rising food prices worldwide, grain in war-hit country remains stuck and at risk of wastage

Jo Harper | 23.06.2022



## WARSAW

Ukraine -- the world's fourth-largest grain exporter -- has 30 million metric tons (33 million tons) of grain in storage waiting for export and farmers are now scrambling to build temporary storage, but time is short.

In July, Ukrainian farmers start the summer harvest, but many fear they will not have anywhere to store the new grain in September if Russia's export blockade is not lifted in time.

The consulting firm APK-Inform estimates that an extra 40 million metric tons may be ready for export when the next harvest is due by the end of the summer.

"In addition to the blockaded 24 million tonnes (metric tons) of grain from the 2021 crop, from mid-July we will have the 2022 harvest and it is huge problem where to store the new crop if the old one is still there," said Gennadiy Ivanov, the CEO of dry-bulk operator BPG Shipping.

"In my opinion, in order to solve the global food crisis issue the only solution is to end the war in Ukraine and de-blockade the ports," he told Anadolu Agency.

To make matters worse, reports suggest that a fifth of Ukraine's grain elevators have been damaged or fell under the control of Russian forces. Ukraine's Agriculture Minister Mykola Solskyi, said this could leave farmers short of 10 to 15 million tons of storage space.

Before the war, Ukraine's Black Sea ports of Odessa, Pivdennyi, Mykolayiv, and Chornomorsk served as terminals for around 5 million metric tons of grain per month, representing about 80% of its total grain exports.

The country usually accounts for 12% of global wheat exports. Now, with 84 foreign ships stuck in Ukrainian ports -- many with grain cargo onboard -- due to a Russian naval blockade, that figure is closer to 3%.

Wheat prices, which were already 49% above their 2017-21 average in mid-February, have risen by another 30% since the war in Ukraine

began.

Many fear that this marked hike could spark starvation, political unrest, and migration in Africa and the Middle East.

About 400 million people worldwide rely on Ukrainian food supplies, according to Anna Nagurny, from the University of Massachusetts Amherst.

#### - Cynical Russia

Russia says Western sanctions on its banking and shipping industries make it impossible for it to export food and demands that sanctions be lifted.

Russian forces have allegedly targeted grain silos and agricultural infrastructure in Ukraine, and are accused by US and Ukrainian officials of stealing grain from the country and trying to sell it on to Syria after Lebanon and Egypt refused similar offers.

The New York Times reported that the US had sent an alert to 14 countries, mostly in Africa, about Russian cargo vessels loaded with what that the State Department said was stolen Ukrainian grain.

Kyiv says Russia has stolen about 400,000 metric tons of grains and seeds, with the Centre for Defence Strategies, a Ukrainian security think tank, putting the figure at closer to 600,000. A Ministry of Defense report found that Russian soldiers forced farmers into giving 70% of their harvest to buyers from Crimea at a price of about 10% retail.

Ukraine's farming sector generated about 22% of the country's GDP in 2021, according to UN data.

Some observers worry that Moscow is seeking to take Ukraine's share of the global market for itself in commodities like corn and wheat and will attempt to paint itself as a charitable provider to poor countries.

#### - US and EU plans

EU's foreign policy chief Josep Borrell has said Russia's actions amount to war crimes and that the EU has even mulled sending warships to protect grain transports.

Germany is planning to establish a "trial corridor" to enable safe passage of Ukrainian grain by rail, German Ambassador to Ukraine Anka Feldhusen told state press on Monday.

Meanwhile, the US has pledged to build temporary silos for storing Ukrainian grain near the Ukrainian border in Poland and Romania to facilitate grain exports, President Joe Biden said last week.

Polish Minister of Agriculture and Rural Development Henryk Kowalczyk said that for this initiative to take place, issues related to ownership, additional infrastructure, funding, and the location and size of the silos would need to be sorted out.

"Implementation of this type of investment takes about three to four months," he said.

The current possibilities mean the maximum amount of grain that can be shipped in Poland is about 1.5 million tons, while the needs of Ukraine amount to about 5 million tons per month.

"I don't see much point for silos in Poland," said Pavlo Martyshev, an agricultural economist from the Kyiv School of Economics. "If anything, they could be built on the Ukrainian side of the border, for logistical reasons. At the moment we have bottlenecks at the borders and silos wouldn't change this," he told Anadolu Agency.

Ivanov agrees. "In my opinion, even building the temporary silos will not help much as there is still a global bottleneck of internal logistics in terms of capacity."

"The prices of a new crop in terms of transportation costs is a big question-mark, i.e. whether traders/farmers will be ready to accept less sale price in order to meet the huge freight/transportation costs," he said.

Martyshev added: "The extra cost of rail travel would be less than the cost in rising prices if the grain is wasted in storage on Ukrainian farms."

#### - Alternative routes

"The prices of a new crop in terms of transportation costs is a big question-mark, i.e. whether traders/farmers will be ready to accept less sale price in order to meet the huge freight/transportation costs," he said.

Ukraine hopes to send 700,000-750,000 metric tons of grains per month from two small ports on the Danube to Romania.

The remainder would be transported to Europe via road and rail.

But, there are logistical problems preventing a quick turn from sea to land transport.

Trains in Ukraine must stop at the country's borders, as the track gauge is 9 cm wider than that of its European neighbors. The grain is then loaded onto wagons on other trains or lifted onto narrower wagons, which takes time.

These is also the matter of capacity, with a single shipping container ship able to carry about the same cargo load as 50 trains.

Kyiv is also considering sending up to 4 million metric tons of grain per month via Belarus, which uses the same rail gauge as Ukraine. Plans are reportedly being discussed between Kyiv and EU ministers to construct a new railway from Ukraine to the Lithuanian port of Klaipeda.

Martyshev also said Belarussian President Alexander Lukashenko regime might be open to a deal of some kind. "He is in negotiations and always like to have some leverage between Russia and the EU," Martyshev said.

Poland in June decided to temporarily reduce goods inspections on its border with Ukraine, which will allow the war-hit country to export agricultural crops through the Rava Ruska - Werchrata border crossing point.

But, another obstacle is the unavailability of storage in European ports, where tens of thousands of metric tons of grain have to be put in port elevators before they can later be loaded onto cargo ships.

OT Logistics, a Polish operator of dry-bulk terminals, said its port facilities in Swinoujscie and Gdynia on the Baltic coast are already operating at full capacity. The company estimates that the capacity of its Baltic terminals at about 1.6 million tons monthly -- 400,000 less than the amount Kyiv wants.

Another route is through Constanta, a port on the Romanian Black Sea coast. A lot of Ukrainian grain is bound for Constanta, with about 50% of current exports shipped from there, said Nikolay Gorbachov, the head of the Ukrainian Grain Association.

About 30% of Ukrainian grain exports leave through Poland near Gdansk, on the Baltic Sea.

As the UK's Foreign Secretary Liz Truss travels to Türkiye for crisis talks on the global food shortage as fears rise that Russia's blockade Ukrainian grain exports could drive food prices in developing countries to dangerous levels.

Türkiye is also planning to host Russian, Ukrainian, and UN officials for talks in the coming weeks aimed at resuming the currently stuck exports, according to media reports. Turkish Foreign Minister Mevlut Cavusoglu said leaders are working on a solution that would not require the clearing sea mines from Ukraine's ports.

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