

## THE INFLUENCE OF THE BLACK SEA REGION ON THE GRAIN MARKET

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### ABSTRACT

The Black Sea region acts as one of the most dynamically developing sectors of the world economy. The object of research is the world grain market. The goal of research is analyzing the main tendencies of grain sector's developing of CIS countries, methodological analysis of the efficiency of their export policy and correlation with the world grain market. The main methods implied in the research are such as: complex and system analyses of AIC regulation, graphanalytical and correlation analyses of export policy optimization, expert analysis of the world grain market.

**Key words:** Black Sea region, grain market, policy, agricultural trade.

All players of the market are especially interested in the grain harvest estimations for Russia, Kazakhstan and Ukraine because these countries are the largest wheat exporters in the Black Sea region.

The fundamental scientific contribution into investigation of general theoretical and special problems of agricultural trade and export activity is made by the outstanding scientists and economists such as: S. Berkum, St. Cramon-Taubadel, Germain D., P. Haidutskyi, M. Kompanets, S. Kvasha, O. Oliynyk, Pankratov A., Rylko D., P. Sabluk, M. Trasy, L. Striwe and others. Despite their basis, the author of the article thoroughly investigated problems of the development of trade policy of the Black Sea region concerning stabilization of grain sector, a grain forecast and future tendencies in the world grain market.

In the erstwhile USSR, post soviet countries were wheat importers in the world grain market. But from the beginning of the 21st century, the main producers Russia, Ukraine and Kazakhstan began to explore the possibility of exporting grain. During two seasons in 2001-2002, these countries practically established a price level for the feed wheat and feed barley in the international market.

In the mid-1990s, the world grain market experienced a relatively short period of tight supplies and high export prices. Production rebounded rapidly, especially in the main exporting countries like the USA, EU, Canada, Australia, and stocks were rebuilt. By mid-1998, prices of wheat and of maize had fallen to nearly their lowest since the 1970s. Latterly, markets have stayed relatively depressed, with supplies being adequate to meet the continued growth in commercial needs, and prices showing considerable stability.

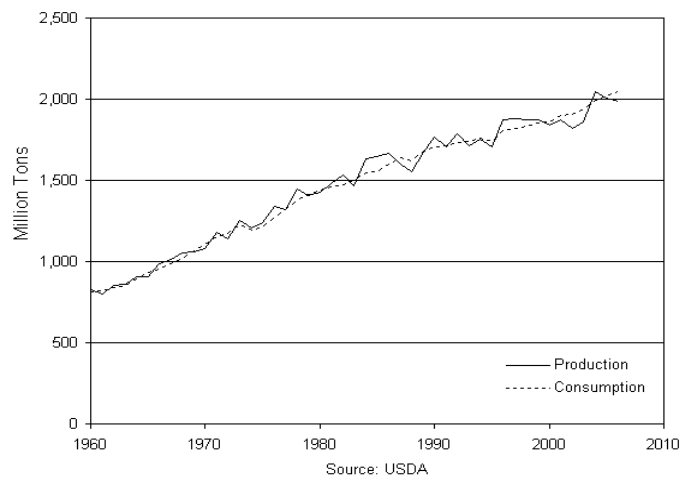
Since world wheat and coarse grains production

reached a record in 1996, it has remained a little lower. Output in the main exporters was sustained at a high level, as yield increases offset area reductions, but their crops fell in 2001 after bad weather in several key-producing areas. In China, there was also a significant fall in output driven by new policies to deter production of lower-quality grain. Production in the Black Sea region was variable but there was major improvement in 2001 as better marketing conditions encouraged farmers to apply more agricultural inputs. In many developing countries, wheat production was relatively stable, but there was an overall increase in their output of coarse grains.

Overall growth of world grain consumption has been slowing down in the early 1990s. However, feed use of grains continues to expand at a moderate rate in major exporting countries reflecting growing meat production, especially in the United States. The steep decline in use in the CIS appears to have bottomed-out in 2001/02 but consumption in China has leveled-off. Food and feed use grain continues to increase in many developing countries in Asia and Latin America.

World grain consumption has risen in each of the last 45 years except for three - 1974, 1988, and 1995 - when tight supplies and sharp price hikes lowered consumption. Growth in world grain demand, traditionally driven by rising incomes and population growth especially in the Indian subcontinent and sub-Saharan Africa, is also now being driven by the fast growing demand for grain-based fuel ethanol for cars. Roughly 60% of the world grain harvest is consumed as food, 36% as feed, and 3% as fuel. While the use of grain for food and feed grows by roughly 1% per year that used for fuel is growing by over 20% per year.

World Grain Production and Consumption, 1960-2006

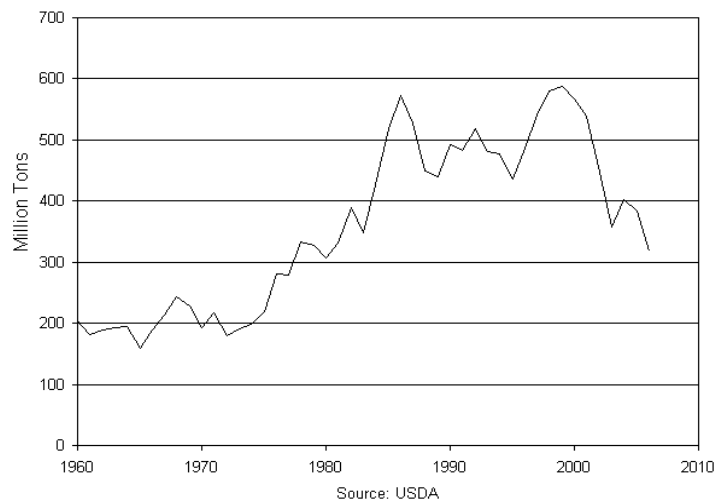


World grain trade has increased by about 10% since the mid-1990s to nearly record levels [1]. with most of the growth in imports attributable to developing countries. Some former major wheat importers, notably China and Pakistan, have considerably reduced their purchases since the mid-1990's, while imports by Iran, Brazil, North Africa other than Egypt, and many least developed countries are higher. Coarse grains imports by Mexico, North Africa and Near East Asia have grown, principally to

supply their expanding livestock industries, but the increase of imports by Pacific Asia has temporarily come to a halt.

At the beginning of 21<sup>st</sup> century, the share of the major exporting countries in world grains trade has fallen, because of much larger exports by countries in the Black Sea region, South Asia (for wheat) and Brazil (for maize). Sales of maize by China have been variable, but very large in some years.

World Grain Stocks, 1960-2006



World grain stocks rose steeply in the latter 1990s, but have recently been falling, mainly because of a considerable drop in China's carryovers. Stocks in the five major exporting countries remained large until the current season, when they declined after their poor harvests. Following a succession of large

crops, stocks in India have reached record levels. These developments have kept world grain prices relatively low, fluctuating within a narrow band. At those levels, prices do not provide satisfactory returns for many grain producers, who have turned to their governments for substantial financial support to

supplement market returns.

In recent years the overall growth in world grains consumption and production appears to have slowed down, the process of change in the global grain economy has accelerated because of a strengthened position of the CIS. Trade in grains and products is flowing in new directions and in more processed forms in response to more open markets and to changing consumer requirements, where quality factors are becoming a key factor in the market place.

The CIS having the population 279,3 mln people (4,3% of the world population) in average produced

125,5 Mt of grains (wheat, barley and maize) during 2000-2006 that made 9,55% of the world grain production. The highest parameters in grain production were for wheat 83,14 Mt (14,74% of the world volume) and barley - 32,88 Mt (23,65%), the lowest were for maize – 9,46 Mt (1,56%).

The grain production in the CIS was estimated at 447,3 kg per capita that was two times more than in the world – 208,7 kg. The highest level of grain production per capita was in Kazakhstan, Moldova, Ukraine and Russia, the lowest one was in Tajikistan, Armenia, Georgia and Uzbekistan.

**Table 1. Grain production and export in the CIS**

Country	Production, Mt (average)	% of the CIS production	Production per capita, kg	Consumption per capita, kg	The main exporters, Mt	The main importers, Mt
Russia	64,1	51,1	443,6	389,7	9,1	1,58
Ukraine	29,19	23,35	641,5	511,2	7,54	
Kazakhstan	14,62	11,7	870	488	5,33	
Azerbaijan	12,02	9,62	259	350		0,72
Uzbekistan	4,85	3,88	186,5	179	0,15	0,42
Moldova	2,8	2,24	794,4	447	0,57	
Belarus	2,59	2,07	255	308		0,58
Kyrgyz	1,81	1,45	369,4	377,5		
Turkmenistan	1,8	1,45	375	339,6		
CIS	125,52	100	447,3	396,4	23,2	5,3

Source: APK-Inform

During 1993-2006 the CIS reduced the planted grain area from 73,6 to 125,5 Ml ha but increased the yield. The structure of grain production consists of wheat 66,9%, barley 26,19% and maize 7,4% especially in Turkmenistan (96,1%), Uzbekistan (94,8%), Kazakhstan (82,8%), Tajikistan (81,55), Azerbaijan (80,7%), Russia (68,4%) and Ukraine (57,9%). Barley takes a definite place in the structure of grain production in Belarus (66,8%), Ukraine (31,3%) and Russia (29,3%); maize – in Georgia (56,8%) and Moldova (50%). This structure shows a middle level of intensive development of animal industries (poultry and pig farming).

During 1993-2006 the average level of grain yield was 19,3 C/ha because of using extensive technologies. The highest level of grain yield is in Uzbekistan (34,9 C/ha), Moldova (32,9), Kyrgyz (29,2), Azerbaijan (26,9), Turkmenistan (26,9) and Ukraine (26,5). The lowest level of grain yield is in Kazakhstan (11,2C/ha), Russia (18,4), Tajikistan (18,5) and Georgia (21,6). There are different climate conditions in the CIS [2]. If these countries use intensive technologies for grain production their total supply would increase up 25-35%. It is very important for the CIS because it would help to use grains for ethanol production and influence on prices of mineral

oil.

During 2002-2006 the CIS in average exported 23,2 Mt (wheat – 15,9 Mt (69,7%), barley - 6,1 Mt (26,7%), maize – 1,55 Mt (6,85)). The import of grains was estimated at 5,3 Mt (wheat – 4,11 Mt (77,5%), barley – 0,53 Mt (10%), maize - 0,64 Mt (12,1%). In the total world import of grains the CIS had 3,2% (wheat – 5,44%, barley – 3,29%, maize - 0,86%).

There are four main grain exporters in the Black Sea region that provide 22,9 Mt (98,8%) of grains such as Kazakhstan – 36,46%, Ukraine – 25,66%, Moldova – 18,75% and Russia – 12,93%. The main grain importers in the CIS are Russia, Azerbaijan, Belarus, Georgia, Tajikistan and Armenia. They import 4,59 Mt (86,6%) of grains each year. Armenia is set to be 93%, Tajikistan – 66,15% and Georgia – 62,16%. Unfortunately these three countries don't provide their food safety.

All players of the grain market are especially interested in the harvest estimations for Russia and Ukraine, because these countries suffered mostly from the frost while being the two largest wheat exporters in the Black Sea region. In 2005/2006-season, Russia and Ukraine increased their shares in wheat export.

The majority of Black Sea countries grow winter

wheat; spring wheat is cultivated prevailingly in Russia and Kazakhstan. Such countries as Romania, Bulgaria, and Moldova grow hardly any spring wheat. Ukraine usually seeds spring wheat on the area of around 500 Th. ha. In Russia area under spring crops is by 15 Ml ha. As yields of spring wheat are much lower,

the increase in the area under spring crops in Russia seems very unlikely. Kazakhstan grows spring wheat only. Growth of wheat areas started about 10 years ago. In 2005/06-season spring wheat area was the biggest amounting to 12,4 Ml ha [3].

**Table 2. Wheat production and export in the CIS**

Country	2001-2	2002-3	2003-4	2004-5 2005-6
<b>Production in Mt.</b>				
Russia	46900	50550	34100	45300 47600
Ukraine	21349	20556	3600	18000 18700
Kazakhstan	12700	12600	12400	9950 11000
Total	80949	83706	50100	73250 77300
World production	580930	566861	553034	625153 607964
% to the world production 13,9	14,8	9,0	11,7 12,7	
<b>Export in Mt.</b>				
Russia	4372 12621	3114	7951 10000	
Ukraine	5486	6569	66	4351 5500
Kazakhstan	3977	6238	5200	2700 3500
Total	13835	25428	8380	15002 19000
World export	108481	108499	110540	109868 109130
% to the world export	12,8	23,4	7,6	13,7 17,4

\* Forecast

Russia is the main grain producer in the CIS. For the last 10 years it reduced grain planted areas to 4,2 Ml ha and total grain supply to 4,7 Mt especially for barley. Total supply of wheat, barley and maize was 64,1 Mt during 2002-2006. Every year Russia exports 9,5 Mt of grains and imports only 1,5 Mt. In general export-import balance of Russia is + 7,92 Mt (export of grains varies from 6,8 to 10,2 Mt) according to the conjuncture of the world grain market. Export of grains is estimated at the level of 14,8% of the total supply [4].

Ukraine takes the second place in grain production after Russia. For the last 10 years it increased planted areas to 11 Ml ha but reduced total grain supply from 33,8 to 29,2 Mt (13,6%) because of yield decreasing from 31,2 to 26,5 C/ha (11,8%). During 2002-2006 Ukraine produced in average 29,2 Mt with the planted area 11,24 Ml ha. Despite high level of grain consumption 23,3 Mt (512,2 kg per capita) 7,54 Mt of grains is exported (25,8% of total supply) every year.

Kazakhstan for the last 10 years reduced grain planted areas from 19,6 to 12,98 Ml ha and total grain supply from 20,4 to 14,6 Mt. In general Kazakhstan produces 14,6 Mt of grains (870 kg per capita) every year. During 2002-2006 the level of grain consumption was 488 kg per capita or 8,2 Mt

of grains every year. Kazak grain export is set to be at 5,3 Mt (36,4% of total supply). There is no practical grain import [5].

The export potential of Russia, Ukraine and Kazakhstan continues to remain high because of increase in grain production at one hand and fall in domestic grain consumption for both food and feed purposes on the other. During July 2004 - February 2005, Ukraine exported 567 tones of feed wheat to Philippines, South Korea, Indonesia and India. Russia supplied about 191 tons of milling wheat to Pakistan during the same period. In 2004-05 record high barley crop in Ukraine was accompanied by sharp cut in feed barley production and export in Canada and Australia. This led to a quick jump in barley export from Ukraine. Russia, another traditional feed barley exporter, started to sell it after November 2004 in the Asian market, especially to India, Pakistan and China. South Russia is playing a major role in general grain production. High domestic prices and better access to credits in Russia have led to improvement of economic conditions of farmers there.

2005/06 MY is the second successive bumper crop season in Ukraine. At the same time, the grain production was at average annual level. The seeded acreage under wheat recovered to its level seen in the bumper crop years of 2001 and 2002 at the

expense of slightly shrunk areas under barley and corn. Keen interest remains in corn production. The corn crop was from 5,7 to 7 Mt for the three successive seasons, while it was at most 3 Mt before. Barley is the most stable export Ukrainian grain. Therefore it is the most preferable while seeding spring crops; its use for feed is minimized and replaced with alternative crops. Wheat export increased in 2005/06-season owing to rich crops for the past two years. However, the following 2007-year will show again that the presence of Ukrainian wheat in the

world market is unstable. Favorable weather during the corn harvesting resulted in good quality of corn. Combined with moderate prices, this made Ukrainian corn a competitive commodity in the world market.

The cumulative grain export potential of Russia, Ukraine and Kazakhstan has the potential for growth and causes capturing new commodity markets. Despite the general development of market relations in the CIS, increasing of export potential was based on reducing of the domestic grain consumption and the livestock of cattle [6].

**Table 3. The main exporters in the world grain market, 2001-2005**

Wheat,%	Barley,%	Maize,%
USA – 25	CIS – 32	USA - 60
CIS – 15	Argentina - 27	Argentina - 15
Australia – 14	EU-25 - 22	China - 12
EU-25 – 14	Canada - 8	Brazilia - 4
Canada – 13	Others - 11	CIS - 2
Argentina – 8		Others - 7
Others – 11		

Source: USDA

The competitive advantages of Russia, Ukraine and Kazakhstan are evident especially their geographical position that allows them to offer grains with the low cost price to importers. During the last five years the CIS took the first place in the export of barley, the second – export of wheat (except a poor harvest in 2003) and the fifth – of maize. The main sales markets for these countries are the EU-27, North Africa, East Asia (South Korea, Indonesia, Philippine, Bangladesh).

According to the forecasts, the CIS especially Ukraine will increase grain export to the EU-27 up 50% despite its progressive new grain producers and exporters like Romania and Bulgaria. Nowadays the West European countries especially Italy, Spain and Portuguese import Ukrainian feed grain of the 4<sup>th</sup> and 5<sup>th</sup> classes for flour resorting to bake the bread more cheap and nutritious for consumers. It is well known that for producing a high quality flour Ukrainian producers mix wheat from southern regions that contains more gluten with wheat from the northern and central regions that contains cellulose (wheat of the 4,5,6 classes). The countries of the European Union are interested to buy cheap and ecologically clean grains from Ukraine.

Currently, all large international grain-trading companies are actively working in the CIS and creating national network. Some of the leading such companies are Glencore, Alfred C. Toepfer International, Cargill International SA, W.J. Export-Import, Inc., Louis Dreyfus Group, Helian Agrottrade, Unigrain, Agriss-Kom, Bunge, Aster-Grain and SGS. They are

trying to remove middlemen between actual growers and buyers in the world grain market. In Russia there are more than 500 grain trading companies, in Ukraine more than 600.

In Kazakhstan flour-grinding plants are mostly located in the grain sowing areas, such as Akmolinsky (18%), Almatinsky (16%), Kostoniysky and North-Kazakhstan areas (14%). The Food Contract Corporation is a state owned company and the biggest player in Kazak grain market. Large international companies ensure the farmers better profitability, reduced risks and guaranteed transactions.

According to forecasts, in other five years, Russia, Ukraine and Kazakhstan together will emerge as the third largest grain exporter after the EU-27 and US. Russian position is getting stronger by increasing of food wheat share in its general export. The main buyers of Russian grain are South Europe, Middle East, North Africa, the CIS, Saudi Arabia and India. In 2007-2009 Russian mid-annual grain production is estimated at 73-78 Mt. In the coming three years, gross domestic demand for fodder will increase to 3% and remain at the level 45-48 Mt in 2007/08 [7].

Kazakhstan will settle its needs for wheat import from North Asia and Caucasus. It is also going to increase export to Mediterranean countries, North Africa and China. Kazakhstan is going to sell about 1 Mt of grains to Iran every year using the SWAP transaction schemes. Kazakhstan has been steadily producing about 16 Mt of grains for the last three years. The general planted area under grain crops

has stabilized at a level of about 14 Mha. Wheat makes about 75% of grain production. As against Russia and Ukraine that mainly produce soft wheat, Kazakh wheat contains much protein (70 % of wheat contain 14 % of protein).

In Kazakhstan subsidies and credit benefits per hectare are widely used now. Besides, there are large projects underway like construction of railways and carrying out of ports on the Caspian Sea. In Russia leasing funds are applied to increase deliveries of more expensive technical equipment to farmers. Ukraine has been using the subsidies to credit interest rates and insurance rates in agrarian sector for the last five years. The government used to subsidize wheat seeds, fertilizes and other commodities.

In the last years, Ukraine focused to renovate its position in the world grain market. Taking into account a forecast of slow increasing tempos of grain consumption, Ukraine will strengthen its influence in food and fodder wheat markets. It is going to increase its cereal production to 40 Mt or to 2,6% per year due to expansion of cropping areas to 1% and increasing of grain productivity to 1,6%. According to forecasts, up to 2010 its average grain consumption is estimated at 27,5 Mt (food grain - 7,8 Mt, fodder - 12,5 Mt). By 2010, Ukrainian grain export can increase to 3% (against 1,5% in 1998-2000) [8]. The main buyers of Ukrainian grain are the CIS, EU-27, Africa and Asia-Pacific region.

For the major grain exporters in the Black Sea region, the 2006/07 supply and demand outlooks for wheat and for coarse grains are starkly different. Winter wheat crops in Ukraine and Russia look promising. Higher production, coupled with larger carrying stocks, will boost total supply in this region and allow for higher domestic use. Exports are also expected to climb (except Ukraine), with more likely being sold to key North African and Middle East markets. This will intensify competition for traditional suppliers such as the United States and the European Union.

According to Federal service of Russian State Statistics grain crop totaled 82,3 Mt in bunker weight by November 1, 2006, down 0,5% from the analogous date of 2005. At the same time grains were threshed from 93% acreages including maize - from 71%.

At the beginning of 2007 Russian market of milling and feed wheat was characterized by price stability. Insignificant price decreasing was observed in the southern region. Demand for feed barley slightly activated in the southern region and Volgograd region. Feed maize market kept price stability. In 2006/07 MY demand prices for wheat and barley in the export grain market in Russian ports increased. High demand

from Russian and foreign importers supported prices for Kazakh milling wheat.

According to the forecast, in the current 2006/07-season Kazakhstan will export about 6 Mt of grain. Such export volume would be reached due to record harvest of grain 2007 - 18,5 Mt.

As of November 1, 2006, Ukraine had harvested 4,74 Mt of grain maize from 1,244 MI ha. It is down 17,3% from last year according to State Statistics Committee. The average yield of grain totals 3,81 tonnes per hectares (against 4,39 tonnes per hectare in 2005). Poltava region is the leader from other regions on harvesting campaign - 526.000 tonnes; average yield is 4,28 tonnes per hectare.

According to State Statistics Committee, by the 1st of November Ukraine had in stocks 12,92 Mt of grain, down 4,3 Mt last year. In particular, Ukraine has 6,25 Mt of wheat (against 8,16 Mt as of November, 1, 2005). 6,34 Mt from the total volume of grains being in stocks falls to the share of agrarians (including 2,58 Mt). Storage and milling enterprises had 6,58 Mt in their stocks (including 3,68 Mt of wheat).

In 2006/07 Ukrainian market of wheat noticed reducing of trade-purchasing activity due to introduction of limits for grain export. Lack of offers against a background of high demand caused selling prices range reduction in feed wheat market. The markets of feed barley noticed price stabilization due to halting of purchasing activity of export-oriented companies. Harvesting progress and more real lots of maize in the market caused increase in buyers' activity. Price range for feed maize remained unchanged.

In 2006/07-season trade-purchasing activity in milling wheat segment in Ukrainian ports was low. The decision of Cabinet of Ministers about introduction of quotation for export of feed barley, wheat, feed maize and rye influenced trade-purchasing activity in the grain market. Conclusion of new external economic contracts between foreign importers and Ukrainian export-oriented companies was minimal. At that, interest of foreign companies towards import of Ukrainian grains remained high.

The Cabinet of Ministers of Ukraine implemented grain export licensing and quotation regime in October 2006. This document offers to impose the following volumes of quotas of grain export from Ukraine till June 30, 2007: wheat and mixture of wheat and rye (meslin) (except emmer wheat) - 730.000 tonnes; barley - 1,3 Mt; maize - 840.000 tonnes; rye - 3.000 tonnes.

The indicated document provides exclusion of requirements concerning total volumes of quotas for agricultural products export in 2006 from the

regulation of CMU No 1304 d. d. December, 2005, "On approval of list of goods which export and import is a subject of licensing and volumes of quotas in 2006".

We remind that regulations of Cabinet of Ministers of Ukraine No 1418 d. d. October, 11, 2006, introduced positions concerning grain export quotas introduction in November-December 2006 in the following volumes: wheat and mixture of wheat and rye - 400.000 tonnes; barley - 600.000 tonnes; maize - 600.000 tonnes; rye - 3.000 tonnes.

Government draft regulations introduce an order of distribution of licenses for export of separate kinds of agricultural production and quotas. In particular, it provides that 80% of total volume of export quota for separate kinds of agricultural production is distributed between applicants that exported this product during last three years pro rata the volumes of actual export of the production for the indicated period. Other 20% of export quota is to be distributed between rests of applicants pro rata their declared volumes.

But at the same time the Ukrainian government's efforts to limit exports of wheat, barley, and corn have unnecessarily disrupted the normal functioning of markets. The restrictions on exports are causing serious damage to Ukraine's economy, its investment climate, and its reputation as a reliable trading partner.

The export restrictions are inconsistent with the spirit of Ukraine's laudable efforts to join the World Trade Organization. Ukraine's grain traders have faced losses in excess of one hundred million dollars, while farmers have been denied access to world market prices and have incurred storage costs for unsold grain.

Grain traders are particularly concerned by the negative long-term consequences this policy could have on Ukraine's investment climate. They have invested nearly one billion dollars into the economy to build and upgrade important infrastructure, such as port facilities, silos, grain elevators, and processing plants. These companies are also significant employers, accounting for approximately 15-20 thousand jobs in Ukraine.

They have helped modernize and develop the Ukrainian agricultural sector, have made significant contributions to the communities where they do business, and are among Ukraine's largest corporate taxpayers. Some of grain companies have already been forced to begin laying off workers and reducing their operations in Ukraine. The financial losses they are now enduring because of the trade restrictions come at a time when grain traders have received only a fraction of the VAT refunds that are due them.

At present the State Tax Administration owes grain traders at least \$130 million in VAT refunds.

While we understand the Ukrainian government concerns for food security, the estimates from a variety of credible sources indicate that this 2006/07 MY the state won't play a significant role on the world grain market.

The government of Ukraine should not interfere with the grain market rather than making extra efforts to work with the firms in the grain sector to address any potential supply problems. Ukrainian government concerns for food security but the justifications for grain export restrictions have not been convincing. Ukraine's barley crop, according to all available estimates, is significantly higher in 2007 than last year. Ukrainian farmers should be able to take full advantage of international markets to sell that crop. Estimates from a variety of credible sources indicate that this 2007-year's wheat harvest is in line with normal historical averages at around 14 Mt.

To cap it all, not everything is as simple as that, and the examples that we provided are too ideal in demonstrating the dilemma of how to opt between the methods of state support in the market. Ukrainian market situation might appear to be not so friendly for it as it has been in 2005/06-season. And while speaking of grains which were touched by governmental price support it is seen that now it is being offered at prices on the level of production cost, which does not always ensure it a buyer.

There is a real possibility to provide increasing of the Black Sea region grain production and export in comparatively short terms. The main issue today is to develop a model of grain market functioning, to define the aims, the scopes and the limits of systematic state interference, which would reduce oscillations of the price and production pendulum, provide predictability of situation on the grain market and a steady motivation of grain producers to expansion of production and the private business – to increase in investments.

According to the model of export policy of the Black Sea region it is necessary to attract direct foreign investment into grain sector and grant long-term preferential credits for grain traders to improve grain production and export of the Black Sea region. It will influence on the total grain supply, quality and domestic consumption – three main factors that make impact on forming of grain delivery.

It is proved that for optimization effective export policy it is worth returning VAT to grain exporters in time, liberalizing grain delivery, improving customs-tariff regulation to protect grain business in the Black Sea region. The model of export policy stipulates creating mechanisms of financing the new

sales markets of grains, certification of their quality and advertisement of grain trading companies.

The role of effective grain markets of Black Sea region is paramount to reach an optimal situation of economic efficiency, and hence of sustainable development and welfare. The functioning of the grain market should stimulate sustainable economic activities, otherwise long-term social and economic costs must turn out to be higher than the value created, thus leading to an overall negative value-added.

The Black Sea region can play a significant role as grain manufacturer-exporters in the world grain trading. Russia, Ukraine and Kazakhstan have all prospects to gain authority of reliable partners that guarantee qualitative products in the world grain market.

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