

FOCUS

BLACK SEA

JULY 2021



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SGS

Introduction

Dear Customer,

A new crop season is underway in the Black Sea region. Agri trade market players all around the world are monitoring the harvesting process carefully in an effort to predict this year's outcome and to understand the opportunities that will exist from the new production.

Our regional network of highly trained and experienced specialists is ready to deliver all of your testing, inspection, risk management and market intelligence requirements. This is especially crucial given that variable export tariffs, coupled with demanding market expectations and unpredictable weather conditions, can have a key influence on export volumes this season. Expert assistance on the ground has never been more valuable.



ALEXEY BESCHETNOV

*Regional Business Manager
Eastern Europe*

THE 2021/2022 CROPS FORECAST

Examining the 2021/22 forecast, total grains production in Russia will reach approximately 127.5 million metric tons (MMT), with 81 MMT of wheat, 19 MMT of barley, and 15 MMT of corn. Between 49-51 MMT will be exported based on trends from previous years. Unfortunately, rain has posed a particular threat to crops, with these wet weather conditions supporting the formation and spreading of various crop diseases such as fusarium and fungus. Special efforts therefore need to be made to carefully control the levels of mycotoxins present in this year's crops.

Meanwhile, the 2021/22 forecast for Ukrainian grains production is approximately 96 MMT, compared to 84 MMT in 2020/21. This includes 27.7 MMT of wheat, 35.5 MMT of corn, 16.5 MMT of sunflower seeds, and 8.2 MMT of barley. Export levels of grains are expected to reach 59.8 MMT.

Agricultural yields in Ukraine have been hampered by uncharacteristic weather conditions. This includes an abnormally cold May featuring low ambient temperatures and drizzle, which led to the development of various diseases and funguses. While crops in the south have already begun their vegetation, crops in the central and western belts were still yet to be treated by pesticides due to ongoing rain. Late sowing campaigns for spring crops may lead to decreased quantity and quality, especially if autumn arrives early.

INCREASED INVESTMENT

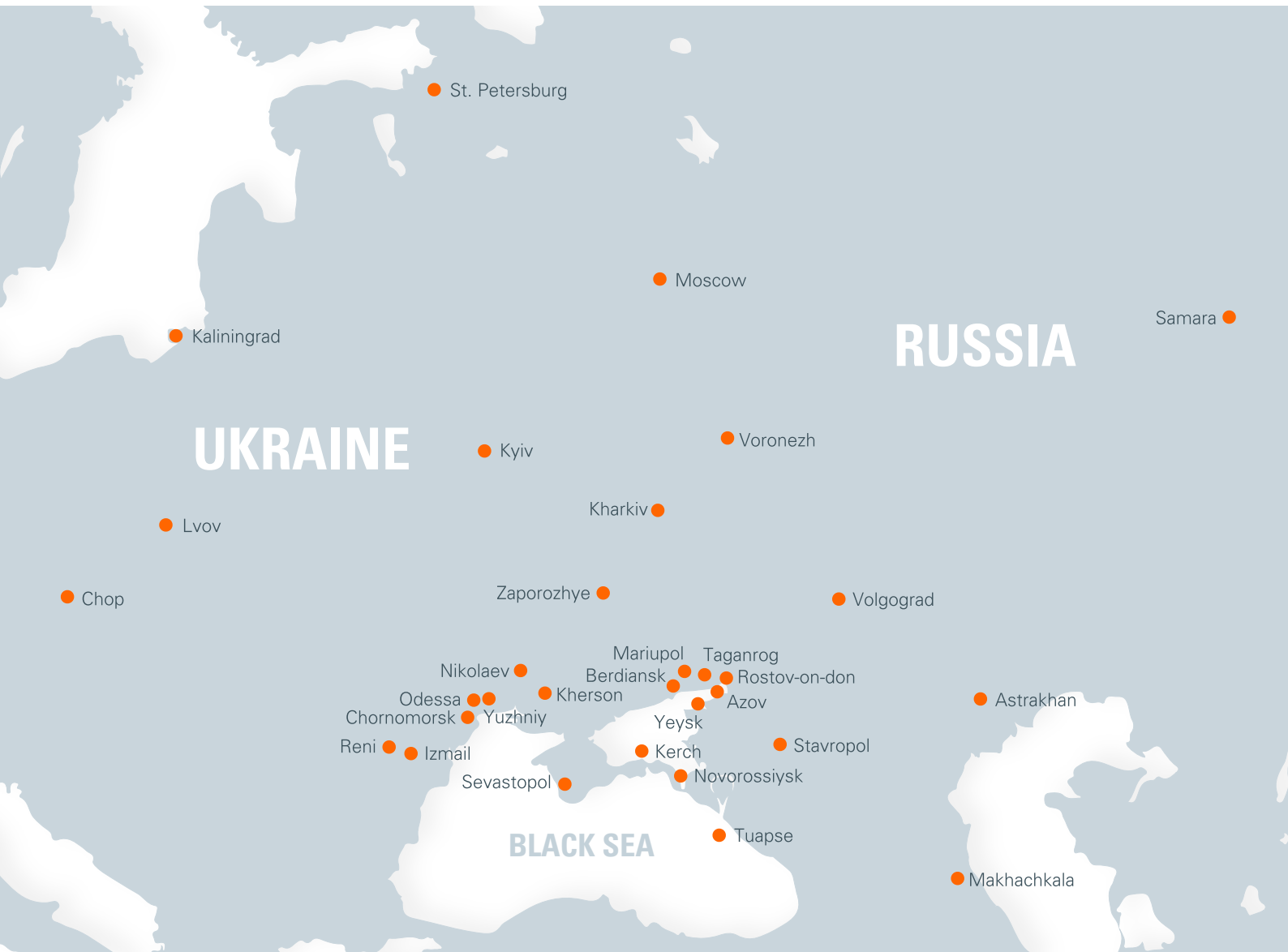
Both our Russian and Ukrainian operations have benefitted from ongoing investment this year. The Russian team has begun to roll out Smart Warehouse solutions, while the Rostov laboratory is now also able to conduct express moisture and oil content measurement for oilseeds and feeds. Our team in Ukraine has expanded its pesticides testing capabilities and added oilseeds meals self-heating testing to its portfolio, further helping their clients meet all necessary contractual and regulatory requirements. The Ukrainian team has also started to develop a brand-new phytosanitary laboratory and are currently seeking recognition from the Indonesian Government-Quarantine for their PDFF Safety System.

To find out more about how these investments are increasing SGS's agricultural capabilities in the Black Sea region, keep on reading.

Our Regional Team

We benefit from an unparalleled network of trusted experts here at SGS, acting as your eyes and ears on the ground. Wherever you are in the world, a local SGS specialist will be on hand to help with all your testing, inspection, fumigation and supply chain optimization requirements.

Global businesses need the support of global partners. With SGS by your side, you'll have continued, worldwide access to local expertise – no matter where your commodities are coming from or going to.



900+

Full time employees

6

Laboratories

26

Express laboratories

30+

Offices

GAFTA

FOSFA

Members

Russia



"Our team continues to provide clients with exceptional levels of service, helping key industry players better navigate an ever-changing global market".

Irina Sarycheva, Customer Care and Technical Governance Manager, SGS Russia

TESTING: THE KEY TO SUCCESS IN THE TRADING ENVIRONMENT

Due to challenging weather conditions, it's highly likely that this season's crops will vary greatly in quality from one region to another. Therefore, to reduce commercial risks and improve efficiency, the market players will require to quickly verify the quality of the commodities they intend to buy. Our team is here to help, providing precise crops market intelligence data and offering rapid turnaround times for our comprehensive range of testing solutions.

To ensure we meet the current market demand, we have continued to expand our testing capabilities over the past year. We're now able to offer qualitative GMO express testing on rapeseeds, soya beans, and corn using test-strips from AgraStrip RUR-HS Bulk Grain. Moreover, our Rostov laboratory's testing capabilities have been bolstered by the introduction of the pulsed nuclear magnetic resonance testing method, which allows us to rapidly measure the moisture and oil content of oilseeds and foodstuffs. Lastly, we've also worked diligently over the past year to increase and update our pesticides testing library.

RISK MANAGEMENT

We have also begun to roll out our Smart Warehouse solutions to the clients, providing them with ongoing updates and real-time data when it comes to their grain's conditions: temperature, moisture, CO2 levels, and more. This allows our clients to more easily identify any potential degradation and prevent it from occurring at the earliest stage possible.

FIRST-CLASS OPERATIONS

Here at SGS, we're committed to maintain our reputation for integrity and reliability. These two core tenets underpin everything we do, safeguarding our status as leading global providers of testing and inspection services. We therefore make sure that we follow industry-wide best practices in order to remain on the GAFTA and FOSFA registries of approved analysts and superintendents.

Our Novorossiysk, Azov, and Rostov laboratories are all GAFTA approved and are included in the official GAFTA analyst list. The laboratory in Rostov also holds FOSFA analyst membership. SGS in Russia is ISO 17020 accredited and is included in the GAFTA superintendent list.

DRIVING INTERNAL STANDARDS

We make sure to train our staff on an ongoing basis, exploring key new market developments and outlining must-know regulations that they will need to adhere to going forward. This allows us to maintain our high standards of excellence and provide an unrivaled level of service at all times.

We've already completed a range of internal training sessions for our back-office, laboratory and administration staff. Every single member of our team has a wide breadth of experience in the agriculture commodities sector, boasting detailed knowledge of the latest industry-wide best practices.

CUSTOMER CARE EXCELLENCE

Our customers guide everything we do. We are always listening to their needs, seeking to adapt our services on an ongoing basis so that we can be of the utmost value. Therefore, as well as conducting internal training, we have also used our technical training base on the grounds of the Rostov laboratory to conduct training courses for some of our most valuable clients. These training sessions were incredibly well-received, with the clients able to spend invaluable time discussing their specific queries, questions, and concerns with SGS's respected experts.

This year, we will continue to provide even more unmissable training sessions tailored to our clients' specific requirements.

OUR CUSTOMER'S THOUGHTS

"The SGS team is a beacon of technical excellence and professionalism. Their 24/7 testing and inspection support means that we always have a trusted partner on hand to guide our operations, to help us adapt to our clients' requirements, and to understand – and implement – the latest industry-wide best practices."

Deepak Tulsian, Trading Manager, Midstar

Team Russia



ALEXEY BESCHETNOV

Regional Business Manager
Eastern Europe

Alexey.Beschetnov@sgs.com



SERGEY DERZHAVIN

Business
Development Manager

Sergey.Derzhavin@sgs.com



IRINA SARYCHEVA

Customer Care and Technical
Governance Manager

Irina.Sarycheva@sgs.com



ALEXANDER FROLOV

Novorossiysk
Branch Business Manager

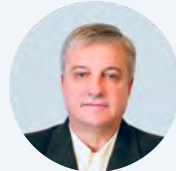
Alexander.Frolov@sgs.com



DENIS FROLOV

Novorossiysk, Taman,
Caucasia, Operation Manager

Denis.Frolov@sgs.com



VLADIMIR CHEVERDA

Kerch
Operation Manager

Vladimir.Cheverda@sgs.com



IGOR DMITRYUK

Sevastopol
Operation Manager

Igor.Dmitryuk@sgs.com



IRINA KOROVINA

Inland
Manager

Irina.Korovina@sgs.com



DMITRIY TSYBAN

Azov & Yeisk
Operation Manager

Dmitriy.Tsyban@sgs.com



KONSTANTIN NAZAROV

Tuapse
Operation manager

Konstantin.Nazarov@sgs.com



IGOR DUDCHENKO

Rostov-on-Don
Operation Manager

Igor.Dudchenko@sgs.com



MIKHAIL SHUMLIN

Taganrog
Operation Manager

Mikhail.Shumlin@sgs.com



ANDREY MARTYNOV

Volgograd
Operation Manager

Andrey.Martynov@sgs.com



MAXIM DOBRIY

Volgograd Business
Development Manager

Maxim.Dobriy@sgs.com



VICTORIA TRAPEZNIKOVA

Azov
Laboratory Coordinator

Victoria.Trapeznikova@sgs.com



VITALIY KUZMINOV

Rostov-on-Don
Laboratory Manager

Vitaliy.Kuzminov@sgs.com

Ukraine



“Our team has adopted a forward-thinking mindset, embracing a somewhat uncertain future by doubling down on our commitment to being innovative and customer-centric at all times”.

Victoria Golubyatnikova, International Sales and Customer Care Manager, SGS Ukraine

ONGOING IMPROVEMENTS

Our team in Ukraine has continued to cement its reputation as a respected player in the international agricultural industry. Since this time last year, we have further upgraded our laboratory’s operations to expand the list of pesticides and decrease the detection limits – this has played a key role in ensuring our clients’ commodities meet the quality requirements of their destination countries. On top of this, we have started to build out our brand-new phytosanitary laboratory.

Following the new "Recommendations on the Transport of Dangerous Goods" guidelines issued by the United Nations, which requires oilseeds meals that are liable to spontaneous heating under normal conditions to be classified Division 4.2 of Class 4, our team has recently purchased additional laboratory equipment. This means we are now prepared to undertake any self-heating tests going forward on behalf of our clients, and to provide them with the appropriate certification upon the successful test’s completion.

Lastly, the Ukrainian team has recently submitted a written application to the Indonesian Minister of Agriculture asking for official recognition of their PDFF Safety System, which will further support our clients who import agricultural commodities from Ukraine into Indonesia.

DELIVERING THE HIGHEST STANDARDS OF EXCELLENCE

Our customers can have complete confidence that we continue serving them to the highest internationally approved standards. Our testing laboratories in Ukraine are accredited by leading regulatory bodies including the Grain and Feed Trade Association (GAFTA), the Federation of Oils, Seeds and Fats Associations (FOSFA) and ISO/IEC 17025, therefore meeting international laboratory standards. We maintained our GAFTA Approved Supernatant status, which confirms our ongoing commitment to deliver a high-quality service for our customers.

CONTINUALLY LEARNING

Here at SGS, we’re believers in lifelong learning. That’s why our inspection, laboratory and execution staff have all taken part in an ongoing series of training sessions throughout the year – spanning from learning about new market requirements, to understanding the latest developments in the industry, to getting to grips with the newest international regulations.

However, we recognize that the key to success lies in training up both our internal staff as well as our clients themselves. We therefore held a series of global webinars and training sessions last year that focused on grain quality throughout the Black Sea region. These sessions were attended by more than 500 participants located in more than 20 different countries. Due to their popularity and the wealth of positive feedback that we’ve received, we will continue to provide more of these webinars this year.

OUR CUSTOMER'S THOUGHTS

“We’ve been working with our trusted partners SGS for over a decade now. Last year, they invited our team to collaborate with them on a special webinar that explored the key factors affecting crop production during the previous year – the information was revelatory, conveyed in an informative, clear manner, and led us to reexamine our internal ways of working.”

Silvia Gil, Group Agribusiness Quality & Food Safety Manager, DACSA



Team Ukraine



GEORGIY TYKHONENKO

Business
Manager

Georgiy.Tykhonenko@sgs.com



VICTORIA GOLUBYATNIKOVA

International Sales and
Customer Care Manager

Victoria.Golubyatnikova@sgs.com



OLEG ONISCHENKO

Technical Governance & Claims
Prevention Manager

Oleg.Onischenko@sgs.com



NIKOLAY KURSHYN

Operations
Manager

Nikolay.Kurshyn@sgs.com



YULIA OVCHAROVA

Grains
Head of Operations

Yulia.Ovcharova@sgs.com



IGOR STEPANYUK

Agri Liquids
Head of Operations

Igor.Stepanyuk@sgs.com



KATERYNA KORSHYKOVA

Stock Management and Inland
Head of Operations

Kateryna.Korshykova@sgs.com



YEVGENY MAKOVENKO

Fumigation
Project Manager

Yevgeny.Makovenko@sgs.com



SERGEY ONYSHCHENKO

Deputy
Development Manager

Sergey.Onyshchenko@sgs.com



SVETLANA NEBELENCHUK

Agriculture
Laboratory Manager

Svetlana.Nebelenchuk@sgs.com



IRINA SEMENYUK

Molecular Genetic & Microbiology
Laboratory Manager

Irina.Semenyuk@sgs.com

CONTACT US

agriculture@sgs.com

www.sgs.com/agricommodities

www.sgs.com/linkedin-natural-resources



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WHEN YOU NEED TO BE SURE

SGS