

FOCUS ON **BLACK SEA**

AN SGS CORPORATE NEWSLETTER FOR AGRICULTURAL SERVICES

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The SGS logo is located in the bottom right corner of the page. It consists of the letters "SGS" in a bold, sans-serif font. A vertical line is positioned to the right of the letters, and a horizontal line is positioned below the letters, forming an L-shaped frame around the text.



“SGS HELPS CUSTOMERS TO MITIGATE RISK AND OFFERS EFFECTIVE EARLY WARNING SYSTEMS THAT CURRENTLY COVER 10 COUNTRIES

Dear customer,

In the Black Sea region the new grain season started two weeks ago.

Already, grain market analysts have made their forecasts regarding production of the main crops. There is no doubt that the main factor influencing the current year's harvest relates to the climate. Weather patterns during the whole growing period was full of surprises.

In the European part of Russia the spring months, and especially June, were several degrees colder than average with abundant daily rainfall.

However, as a direct result of the excess of rainfall it can be confidently asserted that the new crop in Russia will be close to the record of the previous year, or at least more than the average annual figures for the decade.

According to the recent forecast by the Ministry of Agriculture of the Russian Federation a decline in gross harvest is expected in Russia: total production has been estimated at around 100 million metric tones (MMT). According to estimates from our agronomists, and the results of the crop survey performed before harvesting, the 2017 crop potential might exceed 115 MMT. At the same time, production of the main export crop – wheat – may achieve 73-75 MMT. This is evidenced by the good condition of wheat in the fields and high crop capacity in the Southern regions.

The likelihood of crop production exceeding 115 MMT depends on weather conditions during the ripening and harvesting of crops. Continuing

rains in the Central Black Soil and Volga regions may lead to a decrease in gross harvest and deterioration of crop quality. Cold weather has been evident, across the regions plant development has been delayed and the harvesting period has been shifting. This may lead to significant losses, and future corn crop is of particular concern here.

Weather in Ukraine also influenced the grain crops' potential for 2017/18. A chilly April and May slowed down plants vegetation, but also forced moisture accumulation in the soil.

However, as per the preliminary forecasts of the Ukrainian Hydrometeorological Centre, grain crops and particularly winter wheat may reduce by 15-20% due to a long drought period in central parts of the country. The current forecast for wheat production in 2017/18 totals 24 MMT, some 7.7% less than the previous season. The forecast for Ukrainian corn production is 26-28 MMT. In spite of the unfavourable weather conditions corn is rather a late crop, which is why its cropping capacity shall depend on future weather conditions.

Our current forecast for gross harvest is 59-61 MMT, less than last year's record. The general reduction is mainly related to changes in the crop area structure and reduction in the yields of main crops.

Such different weather conditions in spring and summer during crop development in the fields, and high moisture content at post-harvest stages, might increase the risk of Mycotoxin contamination. SGS helps customers

to mitigate this risk and offers effective early warning systems that currently cover 10 countries, including Ukraine and Russia. The main focus is on maize, for which the system gives traders early warning of high toxin levels.

As to the potential of grain exports from Russia in the 2017-2018 season, presently it seems equal to or even higher than last year's record of 37 MMT. In favour of this there are record carry-over balances, good production forecasts, weakening of the national currency and a rise in world prices. In case of the most optimistic scenario, an export potential of 40 MMT seems to be achievable. However, a new operations scheme where exporters work directly with producers, due to the VAT refund regulation, as well as restrictions on transshipment in the Kerch Strait could affect export volumes.

We estimate Ukraine's general export potential for main grain crops to be 38-40 MMT in the new season, which is less than last year's record. Split by crop types, we expect the situation to be as follows: wheat – export expectations at about 15 MMT (60% milling and 40% feed wheat); barley – export expectations at about 4.3 MMT; corn – export expectations at about 19-20 MMT.

To better meet your needs, our teams have been developing services and investing in new personnel, equipment and facilities. Read on to find out more about SGS operations across the region and about your local contacts as well as our new services and infrastructure.

ALEXEY BESCHETNOV

*Regional Business Manager, Eastern Europe
Agriculture, Food and Life*

UKRAINE



DEVELOPING PHYTOSANITARY TESTING SERVICES

Demand has increased for verification of export cargoes, to ensure they meet destination country requirements for toxins, poisonous seeds and weeds. The reasons for this include the reorganisation of Ukrainian public agencies responsible for phytosanitary issues and a growing number of countries to which agriculture products are exported.

As a result, we have been actively developing the phytosanitary division (for the determination of toxins, poisonous seeds and weeds) within our Ukrainian laboratory, making use of our longstanding expertise in the areas of microbiological, physical, chemical and ecological testing. This activity is led by our in-house phytosanitary experts: a herbologist and an entomologist.

We are currently working to have this type of activity included within the scope of accreditation of our laboratory in Ukraine, as per DSTU ISO 17025 NAAU (ILAC).

Representatives of SGS in Ukraine contribute to the Working Group for Phytosanitary Improvement in Ukraine, created under the Order of the Ukrainian Ministry of Agrarian Policy and Food. Specifically, in the framework of

this programme the pilot project for phytosanitary improvement in the regions of Odessa, Nikolaev, Kirovograd and Poltava has been launched. Moreover, there is active discussion on Draft Law No.4009 "On Amendments to Certain Legislative Acts of Ukraine Regarding Phytosanitary Examination Procedure and Driving Laws in Line with International Phytosanitary Standards" which provides for the possibility to involve independent surveyors and private laboratories in inspections and phytosanitary examinations. Many Ukrainian traders support such a model of operations.

SGS in Ukraine intends to join the Phytosanitary Association of Ukraine and to become involved in discussions relating to the above-mentioned amendments.



GEORGIY TIKHONENKO
*Business Manager,
Ukraine*

IN-TRANSIT FUMIGATION LAUNCHED

Following feedback from importing countries, regarding issues with the phytosanitary compliance of agricultural products of Ukrainian origin, we have taken the decision to establish an in-house fumigation team. The market needs professional staff providing fumigation services with the use of recognised treatment products and reliable equipment, in accordance with international requirements.

We are proud to announce that earlier this year we launched our new In-Transit Fumigation Services (disinsectization) for grain cargoes in Ukraine's ports and terminals. These services have been designed to meet the needs of grain crop exporters. Indeed, grain treatment is mandatory to do away with pests before export shipment. Our new services minimise your risks of non-compliance with phytosanitary requirements, refusal of cargoes at the point of entry and of financial losses.

To perform these services with utmost quality and effectiveness we use only high-quality phosphine fumigants from the world's leading manufacturers. The work is carried out by experienced personnel in accordance with the recommendations of the International Maritime Organisation (IMO), the GAFTA Code of Practice, environmental requirements and the sanitary standards of Ukraine and the import countries. All this enhances quality of treatment and mitigates the risk of non-compliance during import control.



VIKTORIYA GOLUBYATNIKOVA
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RUSSIA



EXPANDING INFORMATION SERVICES

For a number of years, our Quality Map Program has been assisting traders to take informed decisions based on crop quality data from four key export countries: Russia, Ukraine, Kazakhstan and Serbia.

Subscription to our new Quality Monitoring Database platform allows you to obtain not only field crop quality for wheat, barley and rape seeds during harvesting period but also to extract export quality statistical data for wheat shipments throughout the year.

At present, thanks to this platform you can trace about 50% of shipments from Russia and Ukraine to various destinations and review quality for different parameters such as protein, W, FN, TW, bud damage, FM, mycotoxins and others. In 2017, we plan to expand this functionality to more countries (Serbia, Bulgaria, Romania, Lithuania). This will allow subscribers to obtain full information about the quality of wheat exported from Eastern Europe.

One more option in the Quality Monitoring Database platform is a Mycotoxins & Ambrosia map for corn, it covers 12 European countries including Russia and Ukraine. We hope that by using this tool every grain market operator will be able to mitigate risks and avoid shipments with corn of non-contractual quality.



SERGEY DERZHAVIN

Business Manager, Russia

NEW TESTING CAPABILITIES IN ROSTOV-ON-DON

We continuously upgrade our testing facility in Rostov-on-Don to better satisfy the needs of our customers. In addition to traditional grain and vegetable oil testing capabilities, which cover all requirements of GAFTA/FOSFA standards and meet local GOST regulations, last year we complemented our testing scope with seeds and agrochemical testing. We are now focusing on implementing a full range of food safety testing methods, in line with the new customer requirements.

In 2016, we began to deliver radioactivity and mycotoxins analyses. As a result, we have been able to define crop quality issues at various stages of vegetation before and during harvesting. We also determine the safety of cargo for trading purposes, mainly focusing on Ochratoxin (for corn), Vomitoxin (for wheat) and others parameters identified on modern HPLC equipment.

In May 2017, we installed a GC-MS machine for testing grains and feed stuff for pesticides and dioxins. This measure helps us to identify pesticide residues in different grain products and check compliance for each parameter to Codex Alimentarius norms. In addition, we can test commodities intended for feed (grain, meal, cake, pulp and others) against dioxin requirements.

GMO testing is to be launched in the third quarter of 2017, while heavy metals testing will start at the end of the year.

The extended testing scope will enable us to meet ever-growing market demands, reduce turn-around times and guarantee reliable test results.



IRINA SARYCHEVA

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WHEN YOU NEED TO BE SURE

