

# Policy Backgrounder: Putin-Erdoğan Meeting on Grain Exports

September 7, 2023

## Insights for What's Ahead:

This is an update to our Policy Backgrounder “[Global Food Prices and Inflation](#),” reporting on CED’s Trustee Roundtable with **Professor Edwin Price**, Department of Agricultural Economics, Texas A&M University and including CED Trustees **David Smith**, Chief Executive Officer, Associated Wholesale Grocers; **Jason Potter**, Chief Executive Officer, Fresh Market; and **Laura Karet**, Former Chair and CEO, Giant Eagle, Inc.

Food price inflation has been exacerbated by extreme weather events, Russia’s departure from the Black Sea Grain Initiative on July 17, and its subsequent attacks on grain infrastructure at Ukrainian ports and Ukrainian retaliation. On September 4, Turkish President Recep Tayyip Erdoğan met with Russian President Vladimir Putin to advocate reviving the Initiative which allowed for safe passage for the export of Ukrainian grain through the Black Sea.

- Putin continues to refuse to rejoin the Initiative until his demands are met, including reconnection of the Russian Agricultural Bank to the SWIFT international payments system. The EU cut the bank from SWIFT as part of its sanctions packages in response to Russia’s invasion of Ukraine.
- Russia will separately ship 1,000,000 tons of grain to Turkey, which will process it into flour and then reexport to countries in need, presumably in the Middle East and Africa.
- Russia continues to attack Ukrainian grain export infrastructure; on Sunday, Russian [drones](#) hit Danube River port infrastructure critical to Ukraine’s grain exports, and part of a drone landed in Romania, a NATO ally.

## Russia’s July Departure from the Black Sea Grain Initiative

On July 17, Russia [suspended its participation](#) in the Black Sea Grain Initiative, claiming that restrictions on shipping and insurance hampered its own agricultural trade, even though Moscow shipped [record amounts of wheat](#) last year, and Russian exports of fertilizers have also [risen](#) under a separate agreement. Because Russia has [withdrawn security guarantees](#) for ships in the northwestern Black Sea, access to Ukrainian ports is suspended, as the vessels are not be able to obtain insurance to transit those waters. In response, the global cereal price index [rose](#) 10 percent later that month.

Immediately following its withdrawal from the Initiative, Russia attacked grain infrastructure (destroying 220,000 tons of grains) at the port of Odesa and later at Reni and [Izmail](#), Ukraine’s main grain port on the Danube, preventing ships from landing there to receive grain and inflicting serious damage on the port. The Danube ports [account](#) for one-quarter of Ukrainian grain exports. The attack have made it more difficult for Ukraine to ship grain by sea, using a complicated [route](#) that involves overland shipments from Odesa to Izmail, loading the grain on to barges, which then travel to Romanian waters, where the grain is loaded onto freighters that sail close to the Romanian, Bulgarian, and Turkish coasts for greater safety (Romania, Bulgaria, and Turkey are all members of NATO) before entering the Bosphorus Strait.

Just a day before Monday's meeting, Russian [drones](#) on Sunday hit Danube River port infrastructure critical to Ukraine's grain exports, injuring at least two people in the attack on southern parts of the Odesa region. In addition, part of a Russian drone [landed](#) in Romania. Romanian Defense Minister Angel Tilver said that "[w]e will not trigger NATO's Article 5 for this [the provision of the NATO Treaty that requires all Member States to come to the defense of a Member State that has been attacked]" but that "we are facing a war on our border, where the danger of collateral damage is very real and likely."

## No Resumption of Grain Deal

Turkish President Tayyip Erdoğan and Russian President Vladimir Putin met on Monday in Sochi, Russia, to discuss the future of the Black Sea Grain Initiative. Erdoğan, along with the United Nations, had previously played a [significant role](#) in efforts to convince Putin to remain in the deal and had hoped to revive the deal before the G-20 meeting in India on September 10. Ahead of the meeting, Ankara acknowledged the complexities of reviving the agreement.

Putin said Monday that the grain deal [would not be restored](#) until the West met Moscow's demands to remove claimed obstacles to its own exports of food and fertilizer, telling reporters that if those conditions were met, Russia would return to the deal "within days." Erdoğan said that Turkey and the UN have put together a new package of proposals to [address Moscow's concerns](#), noting that they were well known all and should be eliminated. "As Turkey, we believe that we will reach a solution that will meet the expectations in a short time," Erdoğan said following his first face-to-face meeting with Putin since 2022.

Erdoğan also said that Ukraine should soften its position in grain deal negotiations and export more grain to Africa rather than to Europe. (However, under the former Initiative, [China](#) was the largest recipient of Ukrainian grain, and while a number of European countries received grain shipments, Ukraine has been willing to handle ships serving all countries and did not control the identities or destinations of the ships participating in the Initiative.) Ukrainian Foreign Minister Dmytro Kuleba [said](#) that Kyiv would not alter its stand and be hostage to "Russian blackmail" on grain but would take note of Turkey's account of the meeting.

One accomplishment of the meeting, however, is that Russia agreed to ship 1,000,000 tons of grain at discounted prices to Turkey, which will process it into flour and then reexport to countries in need, presumably in the Middle East and Africa. Qatar will [reportedly](#) offer financing for the venture. Russia is [reportedly](#) also close to an agreement to send up to 50,000 tonnes of grain to Burkina Faso, the Central African Republic, Eritrea, Mali, Somalia, and Zimbabwe with grain for free. (This list of countries seems deliberate: all six countries have close relations with Russia.) Ukraine is also hoping to export additional grain to lower-income countries in Africa and Asia, but this depends on whether it can access a safe transit corridor in the Black Sea. In addition, higher transport costs now could affect Ukrainian farmers' profits and thus their willingness to plant crops for next year.

Despite the [shifting nature of the relationship](#) between Erdoğan and Putin, it is likely that Putin continues to value his ties with Turkey as his only "window" to the West, said Sinan Ülgen, a former Turkish diplomat and chairman of Istanbul-based think-tank EDAM. "The change in the power relationship, which is to the detriment of Putin and to the benefit of Erdoğan," Ülgen said, has allowed Erdoğan to "capitalize on a wider space" in his ties with Russia.

## Food Price and Harvest Outlook

The UN Food and Agriculture Organization (FAO) Food Price Index (FFPI) [averaged](#) 123.9 points in July 2023, up 1.5 points from June, disrupting the downward trend of the past year. For the US, according to USDA's August 2023 [Wheat Outlook](#), total supplies of US wheat for MY 2023/24 stand at 2,444 million

bushels, down 5 million from July, and down 26 million from one year ago. US all-wheat exports were lowered to 700 million bushels, down 25 million from the July forecast, and the lowest since 1971/72. Russia and Ukraine are expecting strong harvests, although Ukraine's area under cultivation has declined because of the war.

The FAO All Rice Price Index increased by 2.8 percent in July to reach its highest level since September 2011. Thai white rice 5 percent broken, an Asian benchmark, increased to US \$648 a tonne, the [highest price](#) since October 2008. As Thai farmers are bracing for drier conditions with the onset of El Niño, authorities are encouraging planting crops that require less water. In July, India, the world's largest rice exporter, [banned shipments](#) of non-basmati rice in an effort to maintain domestic prices. Shipments will be allowed only on the basis of permission granted by the government to countries to meet their food security needs. India, which supplies rice to over 100 countries, had already banned shipments of broken rice in 2022. The latest decision could increase global costs of rice even further.

## About the Authors

[Dr. Lori Esposito Murray](#) is President at the Committee for Economic Development, the public policy center of The Conference Board.

[Mallory Block](#) is a Public Policy Analyst at the Committee for Economic Development, the public policy center of The Conference Board.

---

**COMMITTEE FOR ECONOMIC DEVELOPMENT (CED)** is the public policy center of The Conference Board. The nonprofit, nonpartisan, business-led organization delivers well-researched analysis and reasoned solutions in the nation's interest. CED Trustees are chief executive officers and key executives of leading US companies who bring their unique experience to address today's pressing policy issues. Collectively they represent 30+ industries, and over 4 million employees. For more information, visit [www.ced.org](http://www.ced.org)

**THE CONFERENCE BOARD** is the member-driven think tank that delivers *trusted insights for what's ahead*<sup>™</sup>. Founded in 1916, we are a nonpartisan, not-for-profit entity holding 501(c)(3) tax-exempt status in the United States.

THE CONFERENCE BOARD, INC. | [www.conferenceboard.org](http://www.conferenceboard.org)

© 2023 The Conference Board, Inc. All rights reserved.