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Misappropriation

'The Great Grain Robbery'

By Dirk Polfliet

Russian Context

- Theft prone area: ±10 MHA
- 2017/2018 record high grain crop of 134 MMT
- 48.5 MMT export (36%) / 85.5 MMT domestic use (64%)
- <January 2018 : low prices (23.4 MMT exported)
- March 2018> : price increase (stronger world market)
- March 2018 : 38.32 MMT in stock (28%)

Chart 2. Largest regions for winter crop sowing area for wheat, barley and rye in 2017, '000 HA

Dark pink, over 1 million HA	Medium pink, over 300,000 HA	Light pink, over 100,000 HA
Rostov oblast – 2,479, Stavropol krai – 1,909, Krasnodar krai – 1,541, Volgograd oblast – 1,412, Saratov oblast – 1,175.	Voronezh oblast – 715.9, Orenburg oblast – 550.2, Kursk oblast – 482.2, Tambov oblast – 480.9, Republic of Tatarstan – 475.4, Orel oblast – 421.4, Samara oblast – 407.7, Belgorod oblast – 374.1, Lipetsk oblast – 345.0, Republic of Bashkortostan – 309.0, Penza oblast – 307.7.	Ryazan oblast – 277.1, Tula oblast – 263.8, Ulyanovsk oblast – 261.8, Nizhegorodskaya oblast – 196.2, Republic of Kalmykia – 191.1, Altaiski krai – 186.6, Bryansk oblast – 169.4, Republic of Mordovia – 167.3, Chechen Republic – 113.0.

Source GAIN Report Number : RS1813

Summary

Definition

1. The Players
2. Type of Agreements
3. Recipe for Disaster
4. Due Diligence vs. Moral Hazard
5. Dispute Resolution
6. Security & Prevention

Conclusion

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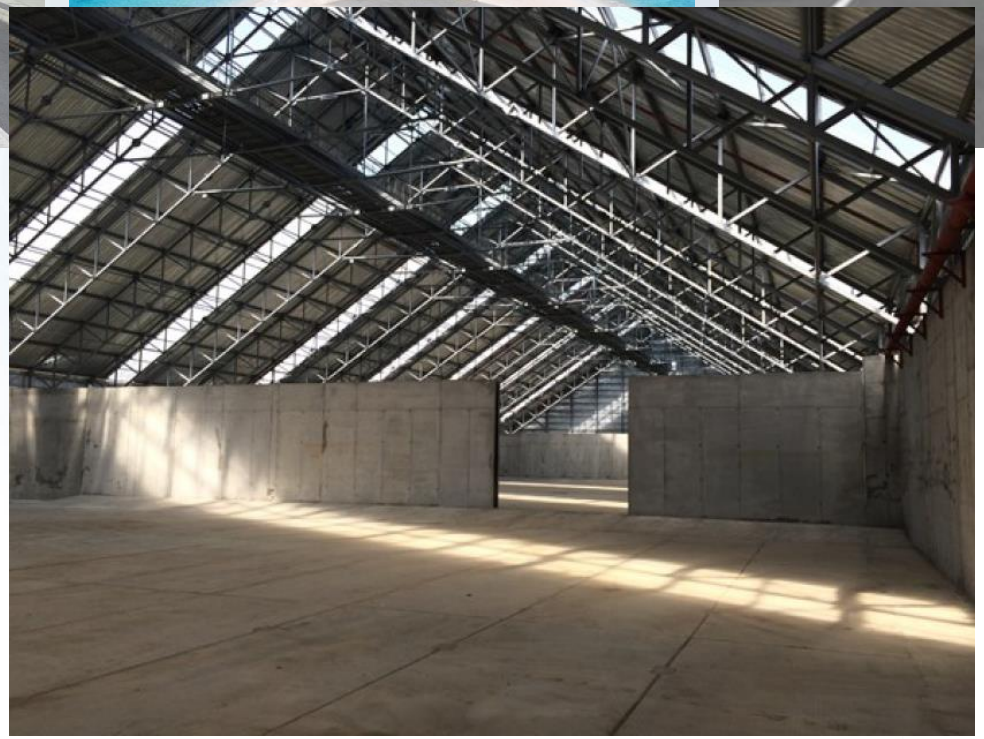
Introduction - Definition



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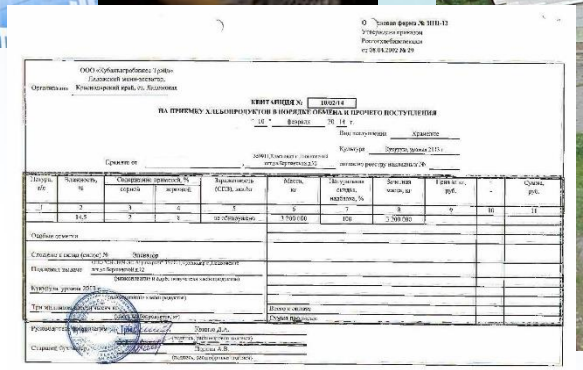
Definition

- Contracting Party
- Bulk Commodities
- Goods Without Traceability
- Remote Areas / Soft Market
- Contractual Violation / Crime

1. The Players

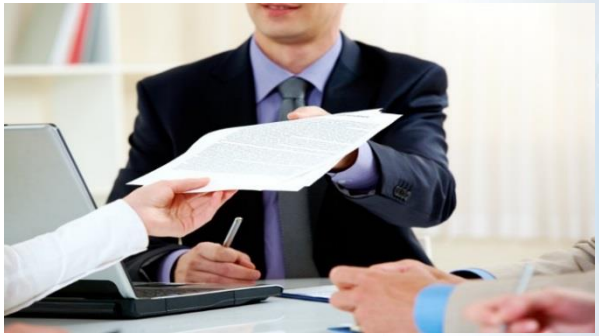
Worlds Apart: Trader vs. Bailee



2. Type of Agreements

Purchase Agreement

Without Move of Cargo



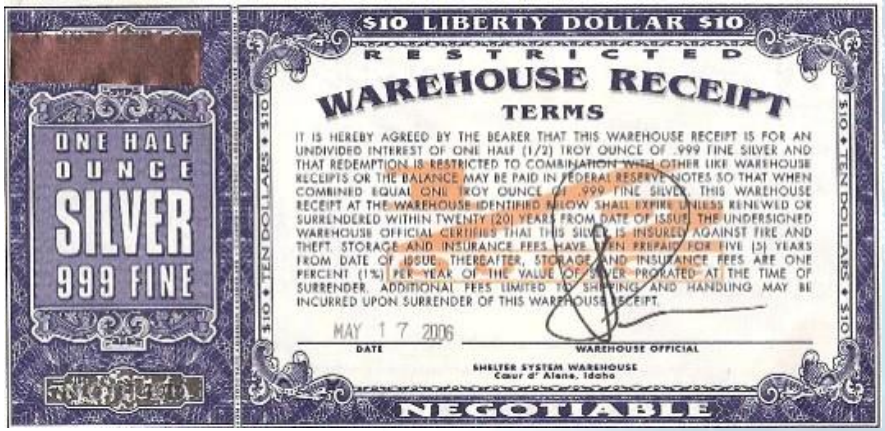
Tolling Agreements

Stock in Transit

2. Type of Agreements

Storage Agreement

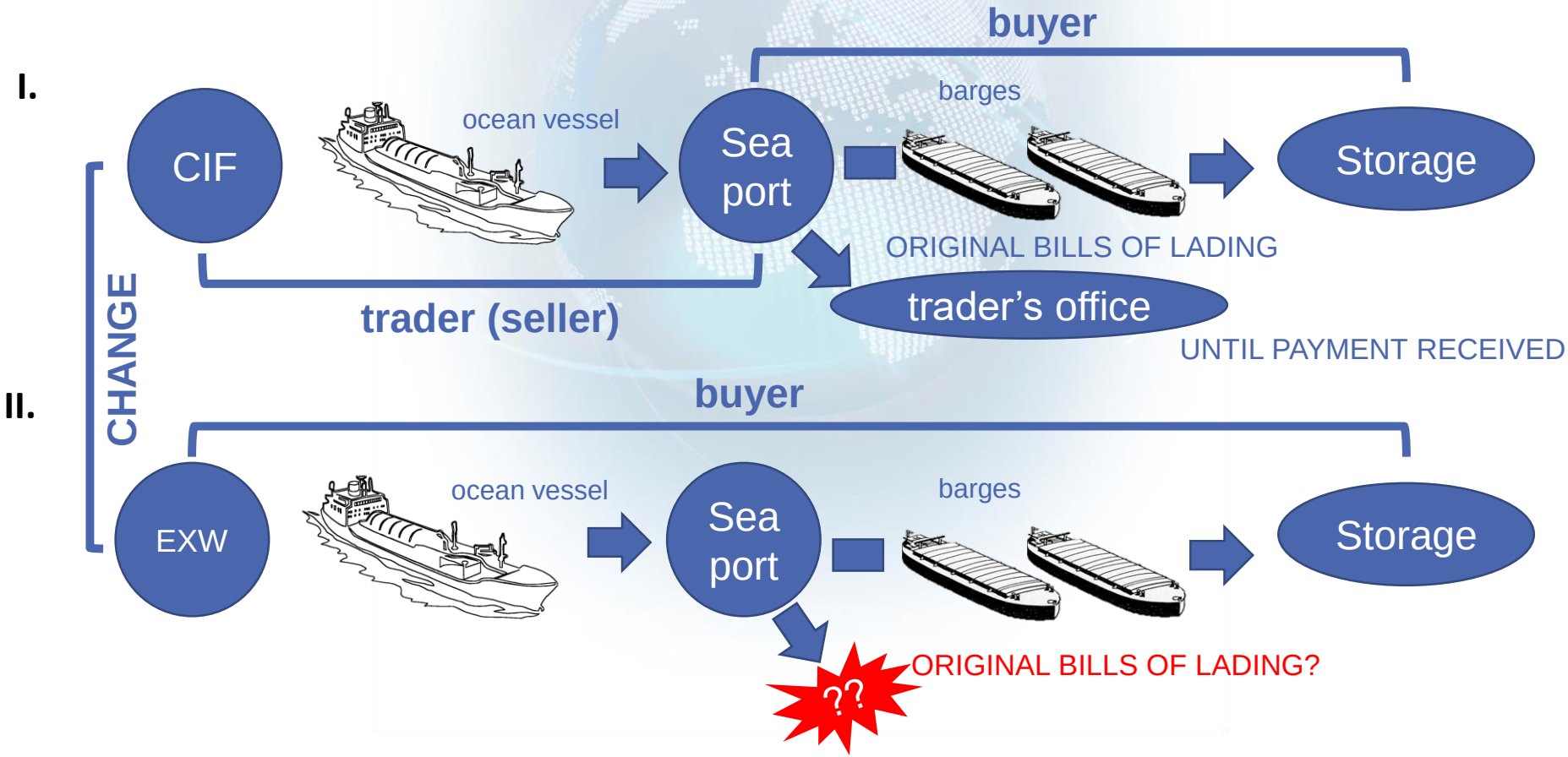
Warehouse Receipt/Certificate Release Orders/Forms



Cargo = Trade Asset = Paper Bond

3. Recipe for Disaster

Change of Contract Conditions



3. Recipe for Disaster

Payment Against Release

	J	F	M	A	M	J	J	A	S	O	N	D
PAYMENTS	OK	OK	OK	OK	OK	OK	Ø	Ø	Ø	Ø	Ø	Ø

	J	F	M	A	M	J	J	A	S	O	N	D
RELEASE ORDERS	OK	OK	OK	OK	OK	OK	OK	OK	OK	OK	OK	OK

3. Recipe for Disaster

Commingled Storage

Available cargo (4000)

Certificate for 3000

Certificate for 3000

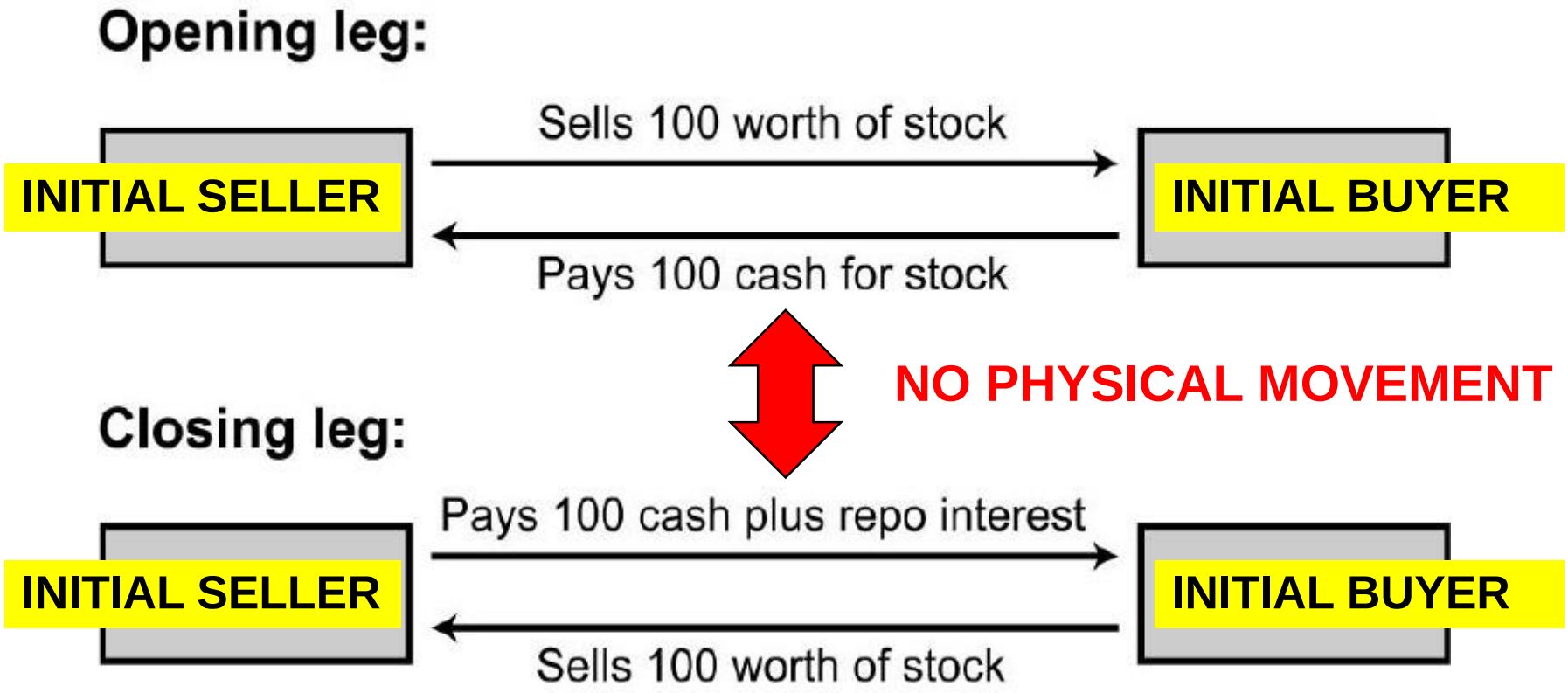
Certificate for 3000

4. Due Diligence vs. Moral Hazard

4.1. **Due Diligence?**

4. Due Diligence vs. Moral Hazard

Repurchase Agreements

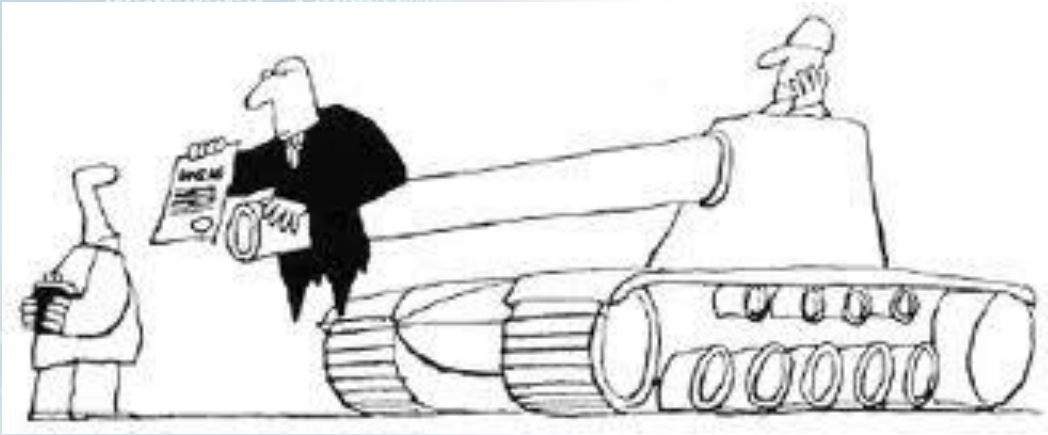


5. Dispute Resolution

5.1. **Home Referee**

5. Dispute Resolution

5.2. Arrest of stocks



5. Dispute Resolution

5.3. **Poor Asset Value**

6. Security and Prevention

- Financial Screening of Business Partners
- Screening of Contracts
- Pre-risk Inspection of the Storage Location
- Inspection of Stock at the Time of Purchase
- Avoid Commingled Storage

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CONCLUSION

THE END