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%)
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
Introduction - Definition
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

Stock in Transit

Tolling Agreements
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

I.

CIF

trader (seller)

ocean vessel

Sea port

buyer

barges

Storage

ORIGINAL BILLS OF LADING

UNTIL PAYMENT RECEIVED

II.

EXW

trader’s office

ocean vessel

Sea port

barges

Storage

ORIGINAL BILLS OF LADING?

??
3. Recipe for Disaster

Payment Against Release

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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

Opening leg:

- INITIAL SELLER sells 100 worth of stock
- INITIAL BUYER pays 100 cash for stock

Closing leg:

- INITIAL SELLER pays 100 cash plus repo interest
- INITIAL BUYER sells 100 worth of stock

NO PHYSICAL MOVEMENT
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
CONCLUSION

THE END