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Grain and Feed

February Grain Harvest Update

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Report Highlights:

Russia finalized its 1999/2000 production data at the end of last year at 54.66 million tons, making 1999 barely better than the record low 1998 harvest of 47.86 million tons. Although preparations for spring sowing continue to be impeded by input constraints, the winter grain crop is in good condition because of favorable weather. Grain prices are expected to increase through the winter and spring -- with feed and food grain prices reaching parity in February. Stocks are expected to be very low by late spring 2000.

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Executive Summary

Russia finalized its 1999/2000 production data at the end of last year at 54.66 million tons, making 1999 barely better than the record low 1998 harvest of 47.86 million tons. Although preparations for spring sowing continue to be impeded by input constraints, the winter grain crop is in good condition because of favorable weather. At the same time, prices for grains are expected to increase through the winter and spring -- with feed and food grain prices reaching parity in February. Stocks are expected to be very low by late spring 2000.

Production

Final 1999 harvest data

Russia finalized its 1999/2000 production data at the end of last year at 54.66 million tons, making 1999 barely better than the record low 1998 harvest of 47.86 million tons. The final data for individual grains in clean weight was: Wheat 30.96 million tons; Rye: 4.78 million tons; Barley: 10.60 million tons; Oats: 4.40 million tons; Corn: 1.07 million tons; Millet: 924,000 tons; Buckwheat: 578,000 tins; Rice: 444,000 and Pulses: 877,000 tons.

Looking ahead at 2000

Although spring sowing has yet to begin in 2000, early indications are that the perennial problems of seed, fertilizer, machinery and other input shortages are likely to impede sowing. High fuel prices will also hurt the sowing campaign. The other important question is how much financial support the Federal government will give -- an issue only likely to be clarified in March or April. On the brighter side, grain price increases pushed up total winter wheat plantings from 7.59 million ha in 1998 to 8.40 million ha in 1999. So far, because favorable weather has kept winterkill to a minimum, the harvest could increase by as much 1.4 - 1.8 million tons, unless the weather or input constraints worsen as harvest time approaches.

Corn versus Sunflowerseed Plantings

Post expects 2000 plantings will shift away from sunflowerseeds in favor of other crops, especially corn. Although it is too early to tell what the magnitude of the switch will be, the change could be significant -- on the order of 500,000 or more ha. This shift is likely to occur for several reasons. One, the feed grain shortage is pushing up prices, making grain a more attractive crop. Second, sunflowerseeds have become less attractive because of falling prices caused by large supplies and an export tax. The latter was especially important because it reduced the ability to earn hard currency from exports. Three, sunflowerseeds have a deleterious effect on soil fertility, especially if planted several years in a row. Four, much of the sunflowerseed acreage is suitable for corn because both crops are grown in the Black Earth, Volga and North Caucasus regions.

Prices

In the last few months most of Russia's grain imports have come from Kazakhstan through commercial and barter arrangements and from the EU and the US as part of the food shipments. Although western food shipments are credited with keeping grain prices from increasing, falling supplies from imports and the 1999 harvest are expected to push per ton grain prices up from between \$5 - \$15 a ton over the next few months. At the same time, the feed grain shortage has been pushing prices of feed close to food grain prices. In January 2000, the price difference between Class 4 food wheat and feed wheat (along with food and feed barley) ranged between \$4 - \$12 a ton. Post and industry analysts expect food and feed grain prices to converge by the end of February.

Stocks

Post expects stocks to be below 2.0 million tons for all grains -- including at most 1 million tons of wheat. The poor 1999 harvest, the shortage of feed grain and the funneling of food grain to feed (and vice versa) is likely to result in very low carry-over stocks for grains by late spring.

“Hidden Grain Stocks”

In the ongoing debates about Russian grain stocks, some analysts have said that Russian data understate the real harvest because of unreported harvests. Although some farmers underreport harvests to avoid taxation and debt collection while some subnational governments do likewise to get aid from the Federal Government, including these stocks in the grain balances is of questionable merit. Because unreported grain is difficult to market effectively, there is little chance that it will end up being used efficiently on or off-farm. Much of the grain kept on-farm is either stored under very adverse conditions or is used in very low value-added applications such as feeding to “hidden livestock”. As for moving off-farm, recent history indicates that these stocks either do not exist or are unmarketable. When stocks ran low in 1999 and prices increased, farmers did not sell their supposed stocks. If this grain existed and was marketable, higher prices should have stimulated sales -- but they didn't. In sum, because “hidden grain” is difficult to move off-farm and is mostly wasted on-farm, these stocks are never used effectively -- which is almost the same as saying they don't exist. For these reasons, post does not include hidden stocks in its grain balances.

Regional Trade Barriers

Following the usual cycle, regional trade barriers have eased since new years for most commodities, but remain strict for rye, especially in the main growing regions of Bashkortostan, Ulyanovsk and Tatarstan because of low prices. Trade sources attribute the reduction of these barriers to a perceived increase in the power of the center, making regions less willing to defy federal laws banning regional bans. The barriers have also eased because most growing regions have already distributed their grain stocks which are high after the harvest (which is when the barriers are at their most stringent). Most regions have much lower export restrictions for flour than for grain as a way of supporting local mills.

Individual Commodity Outlooks

Wheat

Based on recent Russian statistical crop data through November 1999, post increases its estimate 1999 wheat production by one million tons. However, the post forecast for wheat and flour equivalent imports remains at 4.5 million tons based on July to November imports totaling 2.6 million tons. Boosted by an unexpectedly good harvest in Kazakhstan and high oil prices, potential for commercial imports is thought to be another 1.5-2.0 million tons of wheat from December 1999 to June 2000. At the same time official data report that Russia exported almost 260,000 tons of wheat which was mostly exported to the Caucasus (Georgia, Armenia and Azerbaijan) and Israel (feed wheat). As a result, post increases its wheat exports forecast to 300,000 tons. Although total MY 1999/2000 wheat supplies are higher than last year, there is an acute shortage of feed grains which may adversely affect the livestock sector.

PSD, Wheat, 1,000 ha, 1,000 MT

PSD Table						
Country:	Russian Federation					
Commodity:	Wheat					
		1997		1998		1999
	Old	New	Old	New	Old	New
Market Year Begin		06/1997		06/1998		06/1999
Area Harvested	25700	25700	26100	26100	24000	24000
Beginning Stocks	2580	2580	8600	8600	1000	1000
Production	44200	44200	26900	26900	30000	31000
TOTAL Mkt. Yr. Imports	2800	2800	1900	1900	4500	4500
Jul-Jun Imports	2800	2800	1900	1900	4500	4500
Jul-Jun Import U.S.	150	150	1000	1000	1500	1500
TOTAL SUPPLY	49580	49580	37400	37400	35500	36500
TOTAL Mkt. Yr. Exports	980	980	1500	1500	0	300
Jul-Jun Exports	980	980	1500	1500	0	300
Feed Dom. Consumption	16000	16000	11200	11200	9500	10100
TOTAL Dom. Consumption	40000	40000	34900	34900	35000	35700
Ending Stocks	8600	8600	1000	1000	500	500
TOTAL DISTRIBUTION	49580	49580	37400	37400	35500	36500

Barley

Official sources reported a smaller than expected 1999 barley crop. As a result, the post estimate for 1999/2000 is cut to 10.6 million tons. At the same time, recent October-November trade data reported that Russia imported over 100,000 tons over that period. As a result post increases its barley import forecast to 400,000 tons. These high imports mostly consisting of malting barley for the beer industry, will not ease the significant shortage of feed barley. As a result, post cuts its forecast for feed domestic consumption. Exports of barley during the same two-month period were 34,000 tons. Falling stocks and stable demand make it unlike that Russia will continue exports of barley into 2000 until the beginning of next harvest. Post does not expect total MY exports to rise over 50,000 tons.

PSD, Barley, 1,000 ha, 1,000 MT

PSD Table						
Country:	Russian Federation					
Commodity:	Barley					
		1997		1998		1999
	Old	New	Old	New	Old	New
Market Year Begin		10/1997		10/1998		10/1999
Area Harvested	12500	12500	11330	11330	10000	10000
Beginning Stocks	1580	1580	4250	4250	500	500
Production	20780	20780	9780	9780	11000	10600
TOTAL Mkt. Yr. Imports	290	290	300	300	300	400
Oct-Sep Imports	290	290	300	300	300	400
Oct-Sep Import U.S.	5	5	0	0	0	0
TOTAL SUPPLY	22650	22650	14330	14330	11800	11500
TOTAL Mkt. Yr. Exports	1300	1300	90	90	50	50
Oct-Sep Exports	1300	1300	90	90	50	50
Feed Dom. Consumption	13100	13100	9500	9500	7900	7600
TOTAL Dom. Consumption	17100	17100	13740	13740	11750	11450
Ending Stocks	4250	4250	500	500	0	0
TOTAL DISTRIBUTION	22650	22650	14330	14330	11800	11500

Corn

Production of corn is 40,000 tons lower than Post's previous forecast. However, continued imports of corn (imports in October-November 1999 totaled 110,000 tons), and the recent US - Russia intergovernmental agreement to replace meat donations with almost 500,000 tons of corn is expected to boost total imports to 600,000 tons while boosting the feed domestic consumption to 1.25 million -- 350,000 tons higher than in the previous forecast. Although these volumes will reduce pressure on the livestock industry, these sectors will still face feed grain shortages. Russia is not expected to export corn in MY 1999/2000.

PSD, Corn, 1,000 ha, 1,000 MT

PSD Table						
Country:	Russian Federation					
Commodity:	Corn					
		1997		1998		1999
	Old	New	Old	New	Old	New
Market Year Begin		10/1997		10/1998		10/1999
Area Harvested	900	900	800	800	930	930
Beginning Stocks	200	200	820	820	150	130
Production	2670	2670	820	820	1100	1070
TOTAL Mkt. Yr. Imports	200	200	450	590	200	600
Oct-Sep Imports	200	200	450	590	200	600
Oct-Sep Import U.S.	50	50	450	500	50	500
TOTAL SUPPLY	3070	3070	2090	2230	1450	1800
TOTAL Mkt. Yr. Exports	0	0	0	0	0	0
Oct-Sep Exports	0	0	0	0	0	0
Feed Dom. Consumption	1600	1600	1350	1500	900	1250
TOTAL Dom. Consumption	2250	2250	1940	2100	1450	1800
Ending Stocks	820	820	150	130	0	0
TOTAL DISTRIBUTION	3070	3070	2090	2230	1450	1800