



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.09

Voluntary Report - Public distribution

Date: 8/13/2008

GAIN Report Number: RS8062

Russian Federation

Grain and Feed

MinAg May Raise Crop Forecast and Begin Grain Procurement Next Week

2008

Approved by:

Scott Reynolds
U.S.Embassy

Prepared by:

Yelena Vassilieva, Mary Ellen Smith, Cynthia Barmore

Report Highlights:

Minister of Agriculture Aleksey Gordeyev reported that Russia's 2008 grain crop will break a 15-year record, and grain procurement interventions might begin in the second half of August.

Includes PSD Changes: No
Includes Trade Matrix: No
Trade Report
Moscow [RS1]
[RS]

Summary 3
Harvest Progress..... 3
Prices 3
Policy 4
Grain Area, Production, and Yields: Historic Data 4
 Graph 1. Russia: Area of Grain Planted, 1990-2008, in Units of 1,000 Hectares..... 5
 Graph 2. Russia: Grain Production, 1990-2007, in Units of 1,000 Metric Tons..... 5
 Graph 3. Russia: Average Grain Yields, 1990-2007, Metric Tons per Harvested Hectare.... 6
Relevant Reports..... 6

Summary

On August 11, 2008, Minister of Agriculture Aleksey Gordeyev reported to the Presidium of the Russian Government (core group of ministers) that Russia's 2008 grain crop will hit a 15-year high. The Ministry of Agriculture will raise its forecast by at least five million metric tons (MMT) to a minimum of 90 MMT. Russian grain analysts forecast grain production to be between 93 and 97 MMT in 2008. Russia's grain crop has not exceeded 88.6 MMT since 1994. The price decline for milling wheat slowed down in mid-August, possibly due to new expectations for grain exports and procurement interventions. According to Minister Gordeyev, the Russian government might begin buying grain in the second half of August with the approximately 30 billion rubles it placed in Rosselkhozbank in July. These purchases could amount to up to 5.5 MMT of grain.

Harvest Progress

According to Russia's Ministry of Agriculture, Russian farmers harvested 15.9 million hectares, or 33.6% of planted grain, by August 8, 2008. This harvested area yielded 52.7 MMT of grain, up 12.7 MMT from the same period last year. The average yield was 3.32 MT/ha, a 20% increase from the same period last year.

In the Southern Federal District, 8.5 million hectares of grain and pulse crops have been harvested, totaling 80.6% of planted grain. Grain production here reached 31.6 MMT, a 10.6 MMT increase from last year. The average yield was 3.74 MT/ha, a 0.78 MT/ha increase from last year. In the Volga Valley Federal District, farmers harvested 3.0 million hectares, down 0.86 million hectares from the same date last year. This harvested area yielded 6.3 MMT of grain, down 1.8 MMT from a year ago. The average yield was 2.08 MT/ha. Rainy weather delayed the harvest in the Volga Valley Federal District. However, experts forecast that total grain production in this district will not be less than in 2007. In the Central Federal District, farmers harvested 3.9 million hectares, totaling 50.5% of grain planted. This harvested area yielded 14 MMT of grain, an increase of 3.8 MMT from the same date last year. The average yield was 3.6 MT/ha, up 1.04 MT/ha from last year. Farmers in the North-Western, Siberian, Ural and Far-Eastern Federal Districts have also begun harvesting grain, and experts forecast that grain production in most of these districts will not fall below the average. Only one region of the Siberian Federal District, Altay Kray, has reported that it will produce less grain than it did last year because of the drought that hit 18 of its provinces.

There are no official reports on the quality of harvested grain. While visiting Stavropol Kray on August 8-9, 2008, Minister Gordeyev commented that feed-quality wheat will be in abundance, but milling-quality wheat will not be in excess.

Prices

Grain prices continue to decrease in Russia. According to the Ministry of Agriculture, the average price of Class 3 milling wheat in European Russia decreased 3% from August 2nd to August 9th, reaching 5,374 rubles per MT.¹ The price of low-quality feed wheat (Class 5) decreased 7% to 3,984 rubles per MT. In Asian Russia, the average price of Class 3 milling wheat decreased 2.8% to 6,150 rubles per MT. The price of low-quality feed wheat decreased 2.9% to 5,550 rubles per MT.

At the end of July and beginning of August, traders began to ship grain from southern Russia to export terminals. They report a capacity shortage for grain storage and handling in

¹ The Russian Central Bank's conversion rate for Ruble to USD was 23.47 Rubles per USD on August 2, 2008, and 23.87 Rubles per USD on August 9, 2008.

terminals at the Novorossiysk port. They also describe long lines of trucks waiting to unload grain. According to the Ministry of Agriculture, Russia exported 1.04 MMT of grain from July 1, 2008, to August 11, 2008, including 868,000 MT of wheat and 165,000 MT of barley. Reports from Krasnodar Kray indicate that grain export has slowed the decline of grain prices in this area.

Policy

On August 8-9, 2008, Minister Gordeyev announced in Stavropol that the Russian Ministry of Agriculture is finishing preparations for grain procurement. To keep grain prices from falling, the government will begin these interventions in the second half of August. According to Minister Gordeyev, approximately 30 billion rubles of federal funding is available for grain procurement of up to 5.5 MMT.² Administrations in the Southern Federal District advise farmers not to sell milling wheat for less than 6,100 to 6,200 rubles per MT.

The Russian Ministry of Agriculture has not yet announced any changes in price levels for procurement interventions. The present government price for grain remains as it was declared on March 26, 2008. In the Central, North-Western, Volga Valley, and Southern Federal Districts, the government guarantees 5,100 rubles per MT for Class 3 milling wheat and 4,900 rubles per MT for Class 4 milling wheat. In the Ural, Siberian, and Far-Eastern Federal Districts, the price was set at 5,000 rubles per MT for Class 3 wheat and 4,800 rubles per MT for Class 4 wheat.³

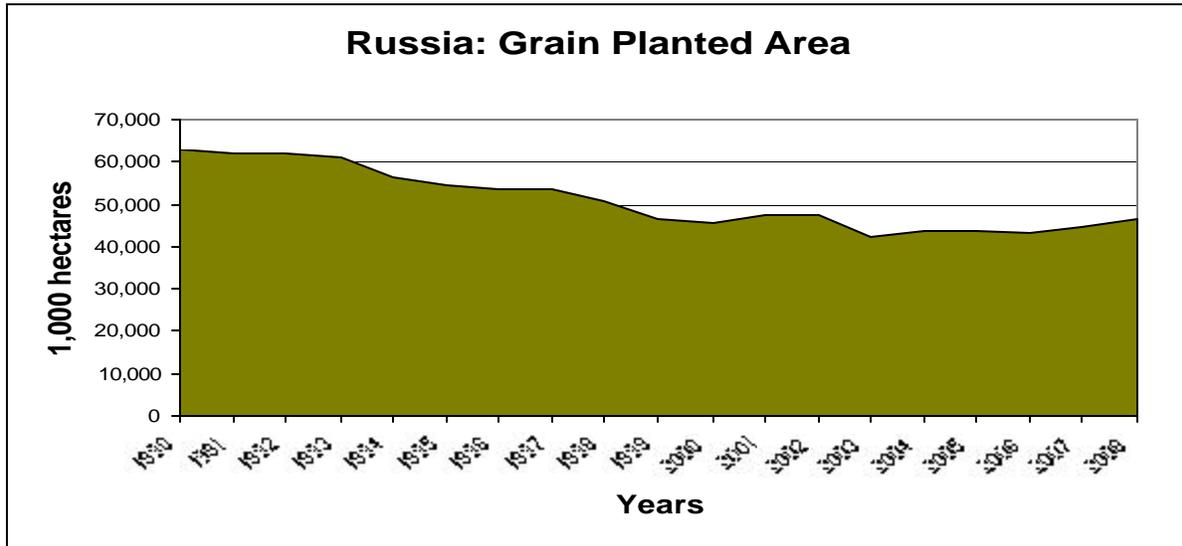
Grain Area, Production, and Yields: Historic Data

The graphs below show changes in the area of planted grain, grain production, and yields per harvested area in Russia from 1990 to 2008. According to official data, the area of planted grain decreased from 63.07 million hectares in 1990 until reaching a minimum of 42.2 million hectares in 2003. The area of planted grain has slowly increased since 2004. The highest official grain production was 116.7 MMT in 1990, and the lowest was 47.8 MMT in 1998. Russia's average grain yields have changed drastically throughout the 1990s and 2000s, but since 2001, they have never dipped below 1.78 MT/ha.

² See GAIN Report RS8058 Grain and Feed / August Monthly Update for more information about financing the Russian government's grain procurement policy.

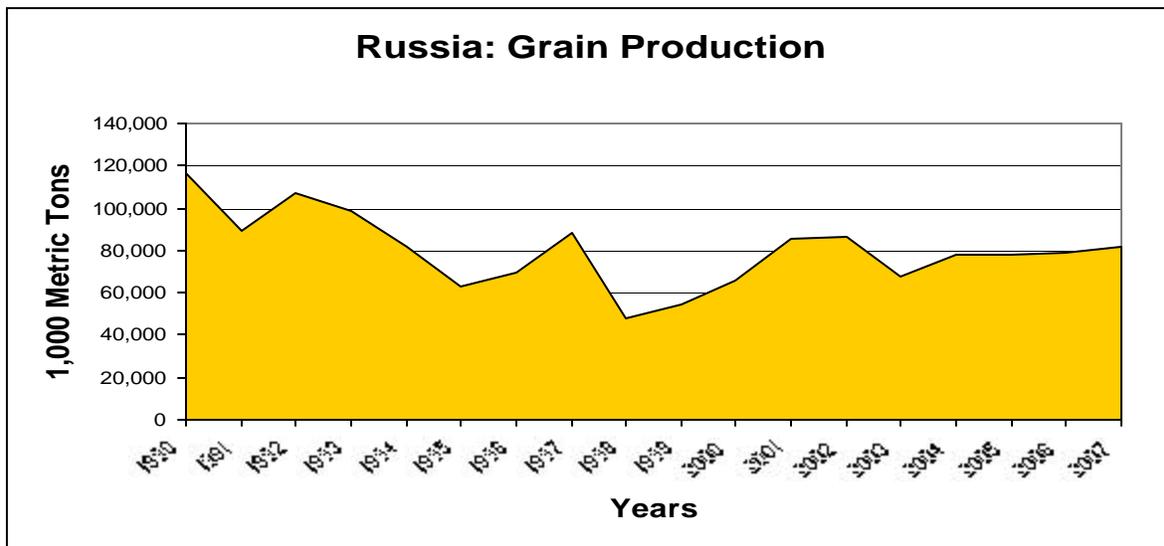
³ See GAIN RS8022 Grain and Feed / Grain Intervention (Procurement) Prices for 2008 for more information.

Graph 1. Russia: Area of Grain Planted, 1990-2008, in Units of 1,000 Hectares



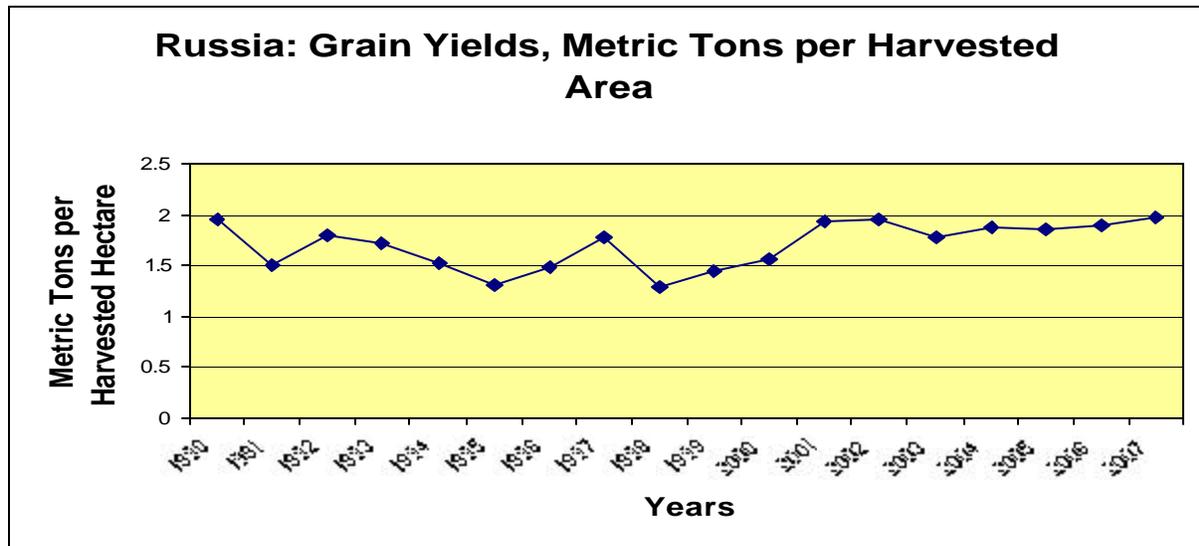
Source: Goscomstat and Rosstat

Graph 2. Russia: Grain Production, 1990-2007, in Units of 1,000 Metric Tons



Source: Gosconstat and Rosstat

Graph 3. Russia: Average Grain Yields, 1990-2007, Metric Tons per Harvested Hectare



Source: SovEcon

Relevant Reports

RS8058 Grain and Feed / August Monthly Update

<http://www.fas.usda.gov/gainfiles/200808/146295384.pdf>

RS8052 Grain and Feed / Government Grain Trade Monopoly May Return

<http://www.fas.usda.gov/gainfiles/200807/146295244.pdf>

RS8048 Grain and Feed / July Monthly Update

<http://www.fas.usda.gov/gainfiles/200806/146295021.pdf>

RS8022 Grain and Feed / Grain Intervention (Procurement) Prices for 2008

<http://www.fas.usda.gov/gainfiles/200803/146294105.pdf>