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Grain and Feed

The Ministry of Agriculture Opens Grain Procurement Interventions

2008

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Report Highlights:

On August 19, 2008 the Russian Ministry of Agriculture announced the beginning of grain procurement interventions in Russia. The interventions will be held on the trade sites of the Commodity Exchange. The government announced intervention prices for feed wheat and feed barley.

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

First Grain Procurement Opportunity Was August 19, 2008

On August 19, 2008, Russia's Ministry of Agriculture announced the beginning of grain procurement interventions, though no grain was actually purchased. The next opportunity for grain procurement will be on August 26-27, 2008. The Ministry of Agriculture (MinAg) appointed the OAO Agency for the Regulation of Food Markets¹ to be an agent for the grain procurement interventions. The government will purchase grain using credit from the Russian Agricultural Bank (Rosselkhozbank). The National Commodity (Merchandise) Exchange (NAMEX) will hold tenders for purchasing the following grains for the state intervention fund: Class 3 and 4 soft milling wheat, Group A food quality rye, Class 5 soft feed wheat, and feed barley. The tenders will be held on the NAMEX's trading floors in St. Petersburg, Moscow, Nizhniy Novgorod, Samara, Rostov-on-Don, Yekaterinburg, and Novosibirsk. For the first time in the history of Russian grain interventions, the government intends to purchase feed grain (Class 5 wheat and feed barley).

On August 12, Minister of Agriculture Aleksey Gordeyev issued Order #398, "On Amendments to the Russian MinAg's Order #110 of March 25, 2008," to set prices for the procurement of feed wheat and feed barley. In the Central, North-Western, Volga Valley, and Southern Federal Districts, the government guarantees 4,100 rubles per MT for Class 5 soft wheat. In the Ural, Siberian, and Far-Eastern Federal Districts, the government guarantees 4,000 rubles per MT for Class 5 soft wheat. The guaranteed price for feed barley in all regions was set at 3,800 rubles per MT. The price levels for Class 3 and 4 milling wheat and Group A food rye remain unchanged. 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 is 5,000 rubles per MT for Class 3 wheat and 4,800 rubles per MT for Class 4 wheat. For Group A food quality rye, the price in districts is 3,900 rubles per MT.²

The first tenders were held August 19 and 20, 2008, but no grain was sold on these days. According to NAMEX's Director Sergey Naumov, late announcement delayed the accreditation of grain sellers, thereby preventing the first grain procurements. Another reason for the slow start to grain procurement may be that MinAg's Order #398 was not registered by August 20, thereby creating legal uncertainty on the opening day of grain interventions. Experts expect that this year farmers will be interested in selling abundant feed grain to the government, while they will sell milling quality wheat and rye primarily to commercial traders. According to SovEcon's Director Andrey Sizov, the government's official procurement

¹ Open Joint Stock Company Agency for Regulation of the Food Markets (OAO AFM) replaced the Federal State Unitarian Enterprises Federal Agency for Regulation of Food Markets (FGUP FAP) at the Ministry of Agriculture in beginning of 2008 (for more information, see GAIN RS8052). OAO AFM is an entirely state-owned joint stock company. AFM has the authority to purchase grain as a state agent for the state grain reserve, to conduct grain procurement and commodity (selling) interventions, and to supply agricultural and food products within different intergovernmental agreements or humanitarian aid missions such as the World Food Program of the Organization of the United Nations. OAO AFM has the right to export grain for the government. The Agency's new website is <http://www.oaoapr.ru>.

² The price intervention mechanism works as follows: the government can purchase grain from producers at a predetermined procurement price using funds allotted from the federal budget for these purposes. Farmers usually start selling grain if the market price is close to or below the procurement price or if the delivery for exports to other regions of Russia is difficult (i.e. from Siberia). On the other hand, if prices increase sharply, the government can start selling grain from the intervention stocks. See GAIN RS8022 *Grain and Feed / Grain Intervention (Procurement) Prices for 2008* for more information.

prices for milling grain are close to market prices, while government prices for feed wheat and barley are above market prices. Farmers will consequently be interested in selling feed grain to the state. Experts estimate that in MY 2008/09, the government may purchase up to 8.0 million MT of grain, most of which will be feed quality, spending over 30 billion rubles in credit at Rosselkhozbank.

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

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