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Grain and Feed

October Monthly Update

2008

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Report Highlights:
Post has revised upward its total grain production forecast by 3.7 MMT to 96.9 MMT based on the Russia's official data on harvest progress. The wheat production forecast is 58.5 MMT, a 2.3 MMT increase from the September forecast. Barley production forecast is increased by 2.3 MMT to 20.5 MMT. Corn production forecast remains 5.6 MMT. Post forecasts grain exports at 17.5 MMT, an increase of 2.6 MMT from September forecast.

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

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Executive Summary

Russia's Agricultural Minister Aleksey Gordeev declared on September 19, 2008, that Russia's grain crop will be 95 – 97 million metric tons (MMT). The possible increase from 95 MMT to 97 MMT will depend on the crop harvested in Siberia. The first official estimates for wheat, barley and corn, will be published in mid October, 2008. Agricultural Minister Gordeev also increased his previous grain exports forecast to 20-25 MMT. This forecast may demonstrate that Russia is not going to introduce any restrictions on grain exports. As of September 22, 2008 Russia harvested 98.4 MMT of grain (bunker weight) from 38.0 million hectares, which is 82 percent of all forecast grain harvest area. Post has revised upward the PS&D tables based on the Russia's official harvest data. Changes include raising total grain production forecast for MY 2008 to 96.9 MMT, a 3.7 MMT's increase from September forecast. The wheat production forecast is 58.5 MMT, and the barley forecast is 20.5 MMT. The corn production forecast is 5.6 MMT.

Post increased the grain export forecast to 17.5 MMT, an increase of 2.6 MMT from the September forecast. This forecast is still lower than the Russian MinAg's forecast of 20-25 MMT, because in MY 2008 exporters' competition in the international wheat and barley markets will be high. Additionally, Russia's exports will be hampered by logistics, including shortage of railway cars, elevators, and port terminals. Prices of milling quality wheat have stabilized, although at much lower levels than half a year ago. Prices of feed quality wheat and barley continue to decrease.

The Russian government continues grain procurement interventions, and started purchasing feed wheat. However, volumes of purchases are still small, and cannot stabilize feed grain prices. Post increased carry-over stocks of grain to be 8.3 MMT by the end of MY 08. Industrial use and losses of grain may exceed 5.3 MMT in MY 2008.

Production

Post raises its total grain production forecast for MY 2008 to 96.9 million metric tons (MMT), an increase by 3.7 MMT from September forecast. The increase is due to reported harvest progress and historic high yields of winter wheat and barley in European Russia. The wheat production forecast is 58.5 MMT (a 2.3 MMT increase over the September forecast), and barley production forecast is 20.5 MMT (a 2.3 MMT increase). Rye and corn production forecasts are not changed: 4.2 MMT and 5.6 MMT, respectively. Given that farmers in MY 2008 allotted most of the fertile soil, fertilizer, chemicals, time, and harvesting to wheat and barley, oat yields will be average, and production forecast is lowered by 400,000 MT to 4.8 MMT. Rice production forecast (rough weight) is 770,000 MT. The production of other grains and legumes will add another 2.5 MMT to the final grain crop.

Russia's Agricultural Minister Aleksey Gordeev declared on September 19, 2008, that Russia's grain crop will be 95 – 97 million metric tons (MMT). The potential increase from 95 MMT to 97 MMT will depend on the crop harvested in Siberia in September and October, 2008. Unlike in other regions of Russia, summer drought in Siberia has resulted in lower production levels. Estimates for this region are 3.0 MMT's less than last year. The first official estimates of grain production by major crops, i.e. wheat, barley and corn, will be published not earlier than mid October, 2008.

Grain analysts forecast the total grain production at 97.0 MMT - 102.0 MMT. Wheat production forecasts vary from 59 MMT to 61 MMT, barley production is forecast at 20 MMT – 22 MMT, rye production forecast is 4.1-4.5 MMT, corn production forecasts vary from 5.5

MMT to 6.0 MMT, and oats is forecast at 5.0 to 5.7 MMT. Forecasts of other grain crops and legumes vary from 3.5 to 5.0 MMT.

2008 Harvest Data

According to Russia's Ministry of Agriculture, Russian farmers harvested 38.0 million hectares (82.0% of planned harvest area) by September 22, 2008. Production on this area was 98.4 MMT, 19.7 MMT more than on the same date last year. The average grain yield was 2.59 MT/HA, 0.46 MT/HA more than last year. 58.6 MMT of wheat was harvested from 21.7 million hectares (81.5% of sown area), and the reported average yield was 2.7 MT/HA (0.44 MT/HA more than on the same date last year). Barley was harvested from 8.5 million hectares (88.0% of sown area). Production on this area was 22.7 MMT (6.9 MT more than last year), and the average yield was 3.54 MT/HA (1.25 MT/HA more than in 2007).

Russian farmers harvested 264,000 hectares (14 percent of planned harvest area) of corn by September 22, 2008. Production on this area was 1.2 MMT, slightly less than on the same date last year, but the average yield was 4.53 MT/HA (1.69 MT/HA more than on the same date last year). Delays in harvesting corn may result in the final decrease in yields, and in some decrease in corn production forecast.

Harvest Progress by Federal Districts

In the Southern Federal District farmers harvested all grain, except corn, and production reached 33.7 MMT, a 10.9 MMT increase over 2007. The grain yield averages 3.67 MT/HA, a 0.8 MT/HA increase from 2007.

In the Volga Valley Federal District farmers harvested 27.6 MMT of grain from 12.9 million hectares (94% of planned harvest area) by September 22, 2008. The reported yields are 2.14 MT/HA, 0.25 MT/HA higher than in 2007.

In the Central Federal District farmers harvested 88% of grain area and produced 23.5 MMT on these 6.8 million hectares. The reported yield is 3.47 MT/HA, 1.04 MT/HA more than in 2007.

In the Ural Federal District farmers harvested 3.9 MMT of grain by September 22, 2008. Production was 0.5 MMT less than on the same date last year, and average yields declined 0.2 MT/HA to 1.46 MT/HA.

In the Siberian Federal District unfavorable weather caused harvesting delays, and drought in some provinces of this District resulted in low yields. By September 22, 2008, farmers harvested 5.9 million hectares (58.0% of planned harvest area), and the reported yield was 1.48 MT/HA, a 0.2 MT/HA decrease from the same date last year. Reported production was 8.8 MMT.

Farmers of the Far Eastern Federal District usually produce less than 0.8 MMT of grain, and as in Siberia and Ural, production in 2008 may also decrease on a year-on-year basis. By September 22, 2008 they harvested 87% of grain area (366,000 hectares) and produced 473,200 MT (96,000 MT less than on the same date in 2007). The average yield is 1.29 MT/HA (0.39 MT/HA lower than in 2007).

Grain Quality

There are no official data on the quality of grain, but traders and independent grain inspectors analyze wheat quality by major grain producing regions. Their conclusion is that

Russia will have enough milling quality wheat this year for domestic consumption and for exports, although the share of milling quality wheat in the bumper wheat crop is smaller than last year. The main problem will be uneven distribution of milling quality wheat by regions. Experts report that the share of milling wheat in the crop varies by regions: from 13-15 percent in some European Black Earth oblasts to over 85 percent in some Siberian provinces.

Winter Sowing Progress

In spite of decreasing grain prices, farmers have started sowing winter grain earlier and so far have been sowing faster than last year. According to the Ministry of Agriculture, farmers have sown winter grain on 9.0 million hectares by September 22, 2008, 1.5 million hectares more than on the same date last year. Experts consider that farmers received big profits from selling grain in MY 2007, and therefore winter grain sowing will meet or exceed last year's area. However, if grain prices do not recover, spring sowing in 2009 will decrease significantly from 2008.

Consumption

For MY 2008 Post forecasts total feed consumption at 39.0 MMT, almost 4.0 MMT's higher then MY 2007 estimates. Wheat feed consumption will increase by 16% to 17.3 MMT, barley consumption will increase by 13% to 12.1 MMT, and corn consumption will increase by 31% to 4.65 MMT.

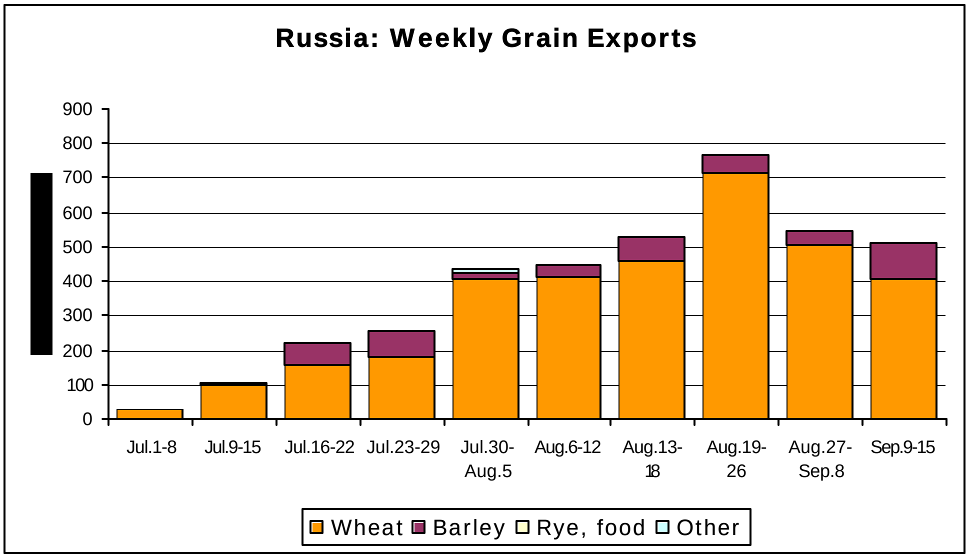
Russia's food, seed, industrial consumption and waste (FSI consumption) for all grains will increase by 5% to 36.1 MMT in MY 2008. Given that food and seed consumption has stabilized in the last 5 years at approximately 30.0-31.0 MMT, most of the increase will be attributed to increased industrial consumption. Given challenges in transportation and storage, losses in MY08 are also expected to be significant.

Trade

On September 19, 2008, Agricultural Minister Aleksey Gordeev reported that in MY 2008 grain exports may reach 20-25 MMT. According to Russia's Ministry of Agriculture, from July 1, 2008 through mid September 2008, Russia exported 3,826,000 MT of grain, including 3,366,000 MT of wheat, 458,000 MT of barley, and 1,500 MT of rye.

Given the rate of grain exports in August-September, 2008, Post increased grain exports forecast to 17.5 MMT, an increase of 2.6 MMT from the September forecast. This forecast is still lower than the Russian Agricultural Minister's forecast, because in MY 2008 exporters' competition in the international wheat and barley markets will be higher than in MY 2007. In the traditional Mediterranean markets Russia will compete first of all with Ukrainian record wheat and barley crop. Russia's exports will also be hampered by logistic problems, including shortage of railway cars, elevators, and port terminals.

Graph 1. Russia: Weekly Grain Exports, MY 2008, 1,000 Metric Tons



Source: Ministry of Agriculture of the Russian Federation

Policy

Grain Procurement Interventions

The Russian Ministry of Agriculture continues grain procurement interventions[1], and has also started purchasing feed wheat to the intervention fund. However, farmers have not been active in selling grain so far, and possibly will wait for better market prices. Twelve intervention sessions have been held since the beginning of interventions on August 19, 2008, and the last one was on September 24, 2008. Government purchased 182,250 MT of grain, including 7,560 MT of soft milling wheat, Class 3, 169,965 MT of soft feed wheat, Class 5, and 4,995 MT of food quality rye, Group A. Government spent 750.45 million Rubles for purchase of this grain.

Table 1. Russia: State Procurement Interventions, as of September 24, 2008.

Commodity	Purchases, Metric Tons	Minimum Price, Ru/MT	Maximum Price, Ru/MT	Average price, Ru/MT	Value of Purchased Grain, 1,000 Ru
Soft milling wheat, Class 3	0				0
Soft milling wheat, Class 4	7,560	4,900	4,900	4,900	37,044
Soft wheat, Class 5	169,965	3,980	4,100	4,083	693,931
Milling rye, Group A	4,995	3,900	3,900	3,900	19,481
Fodder barley	0				
TOTAL	182,520				750,456

Source: NAMEX

[1] For more information on the beginning and terms of grain procurement interventions see Post GAIN reports: GAIN RS8066 *Grain and Feed / September Monthly Update*, and GAIN RS8063 *Grain and Feed / The Ministry of Agriculture Opens Grain Procurement Interventions.*

Grain Prices

Russia's grain prices continue to decrease. According to analytical company WJ ProZerno, from mid April to mid September in European Russia the price of milling quality wheat, Class 4, dropped by 46%, the price of food rye decreased by 50%, and price of feed wheat plummeted by 59%. The price of milling quality wheat, Class 3, was decreasing from April to August, but then began to increase slowly and stabilized at 5,900 Rubles/MT by mid September. However, in European Russia the price of milling quality wheat, Class 3, may start decreasing again along with positive reports on Siberian grain crop and wheat quality.

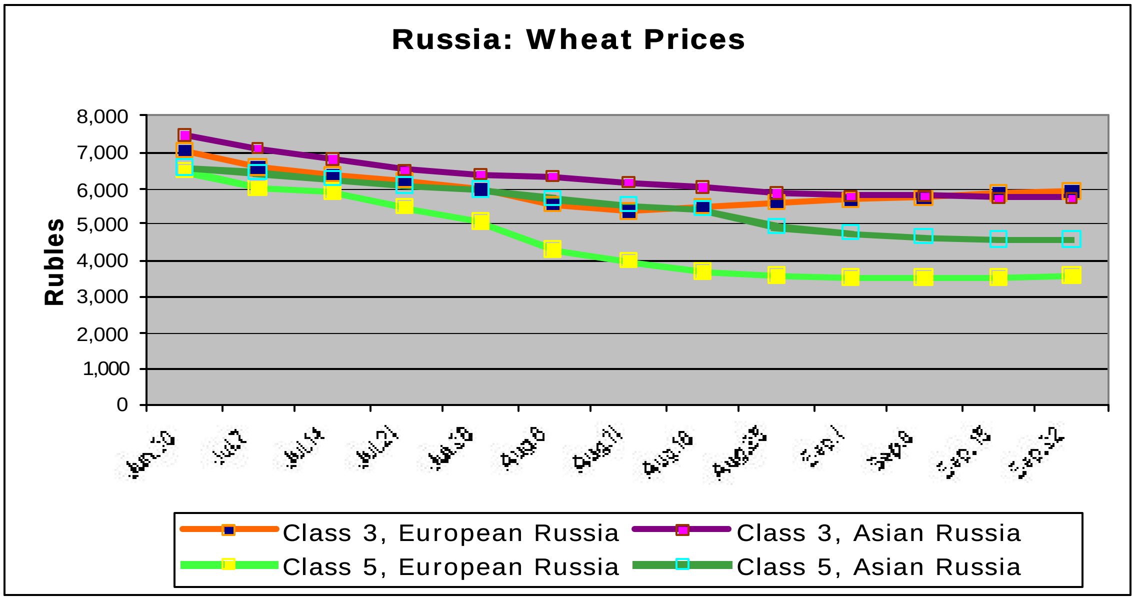
Table 2. European Russia: Grain Prices, EXW, Rubles, U.S. Dollars, August-September, 2008.

	Aug. 01	Aug. 08	Aug. 15	Aug. 22	Aug. 29	Sep. 05	Sep.12	Sep. 19
Rubles per Metric Ton								
Wheat, food quality, class 3	5,515	5,625	5,660	5,735	5,800	5,900	5,915	5,900
Wheat, class 4	5,080	5,020	4,890	4,910	4,930	4,980	4,955	4,905
Food rye	4,840	4,465	4,345	4,255	4,195	4,135	4,120	4,090
Feed wheat	3,960	3,735	3,565	3,500	3,490	3,550	3,615	3,575
Feed barley	3,900	3,685	3,515	3,485	3,505	3,555	3,665	3,670
Feed corn	7,000	7,000	0			4,975	4,700	4,430
USD per Metric Ton								
Wheat, food quality, class 3	235.6	228.7	231.1	234.7	235.1	233.5	232.9	233.5
Wheat, class 4	217.1	204.1	199.7	200.9	199.9	197.1	195.1	194.1
Food rye	206.8	181.5	177.4	174.1	170.1	163.7	162.2	161.9
Feed wheat	169.2	151.8	145.6	143.2	141.5	140.5	142.4	141.5
Feed barley	166.6	149.8	143.5	142.6	142.1	140.7	144.3	145.2
Feed corn	299.1	284.6	0.0	0.0	0	196.9	185.1	175.3

Source: WJ ProZerno

Russia's Ministry of Agriculture also began publishing price data for milling wheat, Class 3, and feed wheat, Class 5, in European and in Asian Russia. The Graph below shows trends in these prices. According to this data Class 3 milling wheat price in European Russia began to increase from mid August, and reached 5,885 Rubles/MT by September 22, 2008. Price of the same wheat in Asian Russia was decreasing until mid September, 2008, and was 5,706 Rubles/MT on September 15, 2008.

Graph 2. Milling and Feed Quality Wheat Prices in European and Asian Russia, MY 2008, Rubles per Metric Ton



Source: Ministry of Agriculture of the Russian Federation

PSD Tables

Table 3. Russia: Wheat

Wheat Russia	2006			2007			2008			
	2006/2007			2007/2008			2008/2009			
	Market Year Begin: Jul 2006			Market Year Begin: Jul 2007			Market Year Begin: Jul 2008			
	Annual Data Displayed		New Post	Annual Data Displayed		New Post	Annual Data Displayed		Oct	
	USDA official	Post Estimate	Data	USDA official	Post Estimate	Data	USDA official	Post Estimate	Data	
Area Harvested	23700	23700	23700	24500	24500	24500	26600	25800	26000	(1000 HA)
Beginning Stocks	3809	3809	3809	2380	2380	2380	2300	2270	2270	(1000 MT)
Production	44900	44900	44900	49400	49400	49400	60000	56200	58500	(1000 MT)
MY Imports	861	861	861	440	350	350	400	400	300	(1000 MT)
TY Imports	861	861	861	440	350	350	400	400	300	(1000 MT)
TY Imp. from U.S.	0	0	0	0	0	0	0	0	0	(1000 MT)
Total Supply	49570	49570	49570	52220	52130	52130	62700	58870	61070	(1000 MT)
MY Exports	10790	10790	10790	12220	12160	12160	14000	13000	14500	(1000 MT)
TY Exports	10790	10790	10790	12220	12160	12160	14000	13000	14500	(1000 MT)
Feed Consumption	14100	14100	14100	15050	15050	15050	18000	16600	17300	(1000 MT)
FSI Consumption	22300	22300	22300	22650	22650	22650	23500	23200	23500	(1000 MT)
Total Consumption	36400	36400	36400	37700	37700	37700	41500	39800	40800	(1000 MT)
Ending Stocks	2380	2380	2380	2300	2270	2270	7200	6070	5770	(1000 MT)
Total Distribution	49570	49570	49570	52220	52130	52130	62700	58870	61070	(1000 MT)
Yield	2.0	2.0	1.9	2.0	2.0	2.0	2.0	2.0	2.3	(MT/HA)

Table 4. Russia: Barley

Barley Russia	2006			2007			2008			
	2006/2007			2007/2008			2008/2009			
	Market Year Begin: Jul 2006			Market Year Begin: Jul 2007			Market Year Begin: Jul 2008			
	Annual Data Displayed		New Post	Annual Data Displayed		New Post	Annual Data Displayed		Oct	
	USDA official	Post Estimate	Data	USDA official	Post Estimate	Data	USDA official	Post Estimate	Data	
Area Harvested	10000	10000	10000	9800	8360	8360	9600	9400	9400	(1000 HA)
Beginning Stocks	873	873	873	1226	1226	1226	726	736	736	(1000 MT)
Production	18100	18100	18100	15650	15665	15665	21000	18200	20500	(1000 MT)
MY Imports	200	200	200	200	175	175	200	200	100	(1000 MT)
TY Imports	200	200	200	200	175	175	200	200	100	(1000 MT)
TY Imp. from U.S.	0	0	0	0	0	0	0	0	0	(1000 MT)
Total Supply	19173	19173	19173	17076	17066	17066	21926	19136	21336	(1000 MT)
MY Exports	1547	1547	1547	1300	1030	1030	2500	1600	2700	(1000 MT)
TY Exports	1691	1691	1691	1300	1030	1030	2500	1600	2700	(1000 MT)
Feed Consumption	11800	11800	11800	10450	10700	10700	12000	11800	12100	(1000 MT)
FSI Consumption	4600	4600	4600	4600	4600	4600	4800	4700	5000	(1000 MT)
Total Consumption	16400	16400	16400	15050	15300	15300	16800	16500	17100	(1000 MT)
Ending Stocks	1226	1226	1226	726	736	736	2626	1036	1536	(1000 MT)
Total Distribution	19173	19173	19173	17076	17066	17066	21926	19136	21336	(1000 MT)
Yield	2.0	2.0	1.8	2.0	2.0	1.9	2.0	2.0	2.2	(MT/HA)

Table 5. Russia: Corn

Corn Russia	2006			2007			2008			
	2006/2007			2007/2008			2008/2009			
	Market Year Begin: Oct 2006			Market Year Begin: Oct 2007			Market Year Begin: Oct 2008			
	Annual Data Displayed		New Post	Annual Data Displayed		New Post	Annual Data Displayed		Oct	
	USDA official	Post Estimate	Data	USDA official	Post Estimate	Data	USDA official	Post Estimate	Data	
Area Harvested	1000	1000	1000	1300	1300	1300	1600	1600	1550	(1000 HA)
Beginning Stocks	144	144	144	175	175	175	175	175	175	(1000 MT)
Production	3600	3670	3670	3950	3950	3950	5800	5600	5600	(1000 MT)
MY Imports	108	108	108	250	250	250	150	200	150	(1000 MT)
TY Imports	108	108	108	250	250	250	150	200	150	(1000 MT)
TY Imp. from U.S.	9	9	9	0	0	0	0	0	0	(1000 MT)
Total Supply	3852	3922	3922	4375	4375	4375	6125	5975	5925	(1000 MT)
MY Exports	77	77	77	50	50	50	150	150	150	(1000 MT)
TY Exports	77	77	77	50	50	50	150	150	150	(1000 MT)
Feed Consumption	3100	3170	3170	3550	3550	3550	4600	4650	4650	(1000 MT)
FSI Consumption	500	500	500	600	600	600	600	600	600	(1000 MT)
Total Consumption	3600	3670	3670	4150	4150	4150	5200	5250	5250	(1000 MT)
Ending Stocks	175	175	175	175	175	175	775	575	525	(1000 MT)
Total Distribution	3852	3922	3922	4375	4375	4375	6125	5975	5925	(1000 MT)
Yield	4.0	4.0	3.7	3.0	3.0	3.0	4.0	4.0	3.6	(MT/HA)

Table 6. Russia: Rye

Rye Russia	2006			2007			2008			
	2006/2007			2007/2008			2008/2009			
	Market Year Begin: Jul 2006			Market Year Begin: Jul 2007			Market Year Begin: Jul 2008			
	Annual Data Displayed		New Post	Annual Data Displayed		New Post	Annual Data Displayed		Oct	
	USDA official	Post Estimate	Data	USDA official	Post Estimate	Data	USDA official	Post Estimate	Data	
Area Harvested	1800	1800	1800	2100	2100	2100	2300	2200	2200	(1000 HA)
Beginning Stocks	126	126	126	76	76	76	76	76	76	(1000 MT)
Production	3000	3000	3000	3900	3915	3915	4400	4200	4200	(1000 MT)
MY Imports	50	50	50	25	5	5	0	0	0	(1000 MT)
TY Imports	50	50	50	25	5	5	0	0	0	(1000 MT)
TY Imp. from U.S.	0	0	0	0	0	0	0	0	0	(1000 MT)
Total Supply	3176	3176	3176	4001	3996	3996	4476	4276	4276	(1000 MT)
MY Exports	0	0	0	100	120	120	100	120	120	(1000 MT)
TY Exports	64	64	64	100	120	120	100	120	120	(1000 MT)
Feed Consumption	100	100	100	650	620	620	650	660	660	(1000 MT)
FSI Consumption	3000	3000	3000	3175	3180	3180	3375	3300	3300	(1000 MT)
Total Consumption	3100	3100	3100	3825	3800	3800	4025	3960	3960	(1000 MT)
Ending Stocks	76	76	76	76	76	76	351	196	196	(1000 MT)
Total Distribution	3176	3176	3176	4001	3996	3996	4476	4276	4276	(1000 MT)
Yield	2.0	2.0	1.7	2.0	2.0	1.9	2.0	2.0	1.9	(MT/HA)

Table 7. Russia: Oats

Oats Russia	2006			2007			2008			
	2006/2007			2007/2008			2008/2009			
	Market Year Begin: Jul 2006			Market Year Begin: Jul 2007			Market Year Begin: Jul 2008			
	Annual Data Displayed		New Post	Annual Data Displayed		New Post	Annual Data Displayed		Oct	
	USDA official	Post Estimate	Data	USDA official	Post Estimate	Data	USDA official	Post Estimate	Data	
Area Harvested	3600	3600	3600	3700	3320	3320	3400	3100	3200	(1000 HA)
Beginning Stocks	190	190	190	190	190	190	190	190	190	(1000 MT)
Production	4900	4900	4900	5400	5410	5410	5000	5200	4800	(1000 MT)
MY Imports	0	0	0	0	0	0	0	0	0	(1000 MT)
TY Imports	0	0	0	0	0	0	0	0	0	(1000 MT)
TY Imp. from U.S.	0	0	0	0	0	0	0	0	0	(1000 MT)
Total Supply	5090	5090	5090	5590	5600	5600	5190	5390	4990	(1000 MT)
MY Exports	0	0	0	0	0	0	0	0	0	(1000 MT)
TY Exports	4	4	4	0	0	0	0	0	0	(1000 MT)
Feed Consumption	3300	3300	3300	3800	3810	3810	3400	3600	3200	(1000 MT)
FSI Consumption	1600	1600	1600	1600	1600	1600	1600	1600	1600	(1000 MT)
Total Consumption	4900	4900	4900	5400	5410	5410	5000	5200	4800	(1000 MT)
Ending Stocks	190	190	190	190	190	190	190	190	190	(1000 MT)
Total Distribution	5090	5090	5090	5590	5600	5600	5190	5390	4990	(1000 MT)
Yield	1.4	1.4	1.4	1.5	1.6	1.6	1.5	1.7	1.5	(MT/HA)

Relevant Reports

RS8066 Grain and feed / September Monthly Update
http://www.fas.usda.gov/gainfiles/200808/146295659.pdf

RS8063 Grain and Feed / Ministry of Agriculture Opens Grain Procurement Interventions
http://www.fas.usda.gov/gainfiles/200808/146295597.pdf

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