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Report Highlights:
Post has revised upward its total grain production forecast by 3.5 million metric tons (MMT) to 100.4 MMT based on harvest progress. Wheat production forecast is 61.5 MMT and barley production forecast is 21.6 MMT. Corn production forecast remains 5.6 MMT. Post decreased grain exports forecast by 1.5 MMT to 16.0 MMT due to strengthened competition in the world grain markets, and due to financial problems of the Russian grain traders. Winter grain sown area is 7-10 percent more than last year. However, storage problems and declining grain prices may result in a severe cut in spring sowing and in decrease of grain production in 2009.

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 reported on October 8, 2008, that Russia harvested slightly more than 100 million metric tons (MMT) of grain, a 15 years' historic record, and the average yield is 2.2 metric tons per hectare, a record grain yield in Russia's history. According to Aleksey Gordeev, for the first time in Russia's history wheat production reached 63 MMT, including approximately 34 MMT of milling quality wheat, 6 MMT more than last year. Minister Aleksey Gordeev repeated that Russia may export 20-25 MMT of grain, but added that this estimate is based on export logistics' capacity, while the actual exports will depend on the market situation.

By the end of October, 2008, Russia harvested approximately 110 MMT of grain (in bunker weight), and still continued harvesting rice and corn. Given the latest harvest reports, Post has revised upward the total grain production forecast for MY 2008 to 100.4 MMT, a 3.5 MMT's increase from the October forecast. The wheat production forecast is 61.5 MMT, and the barley forecast is 21.6 MMT.

Given increased competition in the world wheat and barley markets and difficulty in obtaining credit, Post revised downward grain exports forecast to 16.0 MMT, a decrease of 1.5 MMT from the October forecast. Wheat exports will be 13.8 MMT, and barley exports will be 2.1 MMT.

The global financial crisis affected Russia's domestic credit market and raised US$ to Ruble exchange rate[1]. The effect of these changes on exports and consumption of Russia's grain in MY 2008 is not obvious yet. However, we are beginning to see a shortage of working capital in all segments of grain industry, including transportation, storing, handling, and processing.

Production

By the end of October the Russian Ministry of Agriculture reported that Russia harvested approximately 110 MMT of grain (in bunker weight), and that the harvest of rice and corn has not finished yet. Given the amount harvested to date, Post has revised upward the total grain production forecast for MY 2008 to 100.4 MMT, a 3.5 MMT's increase from October forecast. The wheat production forecast is 61.5 MMT, a 3.0 MMT increase from the October forecast, and the barley forecast is 21.6 MMT, 100,000 MT's increase from the October forecast. Corn and rye production forecasts are not changed – 5.6 MMT and 4.2 MMT respectively, and oats production forecast is decreased from the October forecast by 100,000 metric tons (MT) to 4.7 MMT. Rough rice production forecast is 770,000 MT, 50,000 MT more than Russia harvested in 2007. Post forecasts production of millet, buckwheat and legumes at 1.95 MMT, a 1.15 MMT decrease from MY 2007, because in MY 2008 farmers shifted most of their land to wheat. Agricultural Minister Aleksey Gordeev reported on October 8, 2008, that in 2008 Russia's grain crop would be slightly more than 100 million metric tons in clean weight, a 15 year historic record. The average yield is 2.2 metric tons per hectare, also a record for Russia.

Winter Sowing

According to Agricultural Minister Gordeev, the total winter crop area in Russia will increase by 10 percent from last year. There are no data on the total winter grain area, but by October 21, 2008, area sown to winter grains in agricultural enterprises was almost 13.0 million hectares, or 7 percent higher than on the same date in 2007.

[1] On October 1, 2008, 1 USD was 25.37 Rubles, and in October 29, 2008 – 27.30 rubles

Winter grain sowing increased in European Russia also due to favorable weather in October. For example, in Rostov oblast farmers planted 2.0 million hectares in winter grains, more then they were planning for MY 2008/09. As of end of October planting was still going on, although usually at this time the weather does not allow planting. In Volgograd oblast winter grains were sown on 2.0 million hectares, 11.0 percent increase from 2007.

Grain Consumption

Feed Consumption

Given the decreased forecast of grain exports, Post increased domestic feed (including losses) consumption forecast to 40.6 MMT, a 1.6 MMT increase from October forecast. Wheat feed consumption will increase to 19.5 MMT (17.3 MMT in the October forecast), barley feed consumption will increase only by 100,000 MT to 12.2 MMT, while corn feed consumption will be 4.6 MMT. In spite of the increased use of corn in feeds, which is good for poultry and pigs, experts question the quality of the current feed rations for dairy cattle, because farmers were increasing production of wheat at the expense of pastures and leguminous crops.

Food consumption

According to Agricultural Minister Aleksey Gordeev, in 2008 Russia has produced 34 MMT of milling quality wheat, 6 MMT more than last year. However, the main problem is that the uneven distribution of milling quality wheat on the Russia’s territory. Most of the milling quality wheat is concentrated in Siberia, and transportation of this grain to consumers in European Russia may add to the cost of production of flour, bread, pasta and bakery products in Russia.

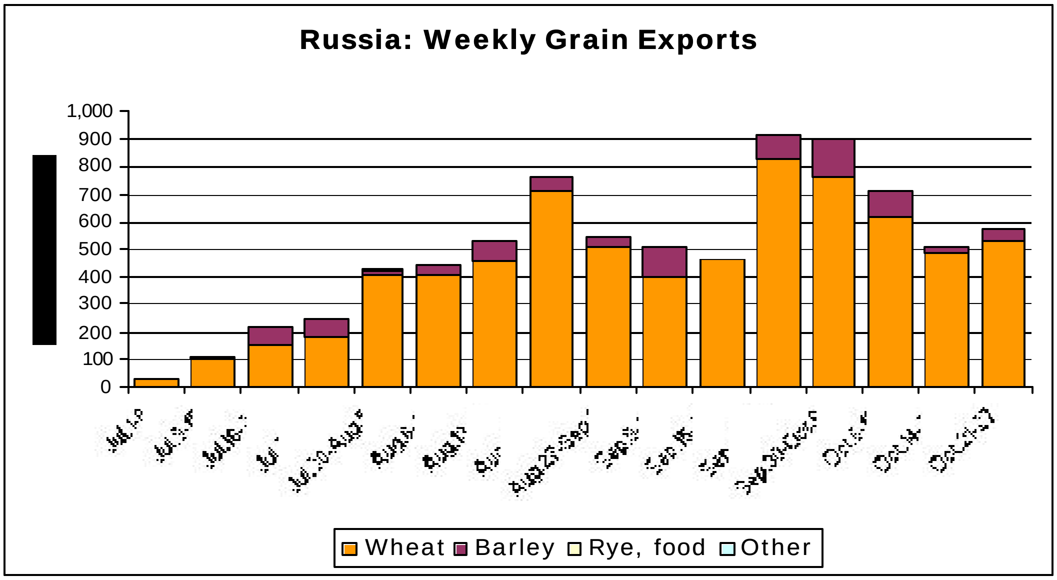
Post forecasts that Russia’s food, seed, and industrial grain consumption will reach 36.8 MMT. However, along with increased wheat and barley production, in 2008 Russian farmers decreased production of millet, buckwheat, and some other food grains. Given the financial hardships, consumers’ demand for cheap groats (buckwheat, millet) may increase.

Trade

Post decreased the grain exports forecast by 1.5 MMT to 16.0 MMT. The wheat exports forecast is decreased from 14.5 MMT to 13.6 MMT, and barley exports will decrease from 2.7 MMT to 2.1 MMT. Experts outline the following major factors which will decrease Russia’s grain export. Wheat exports will decline due to increased competition stemming from big wheat crops in most of wheat producing countries; plummeting wheat prices in the world markets; shortage of credit; and technical problems in payment transfers. Increased US dollar to ruble exchange rate might stimulate Russia’s grain exports, but in Ukraine, the closest Russia’s competitor in the Mediterranean markets, the exchange rate of US dollar to the Ukrainian grivna increased faster, and Ukraine will have relative price benefits over Russia.

By October 27, 2008, Russia exported 7.9 MMT of grain, including 7.05 MMT of wheat and 0.84 MMT of barley. However, weekly grain exports reached the maximum in the end of September, and then slowed down. Grain traders are concerned that if grain prices continue to fall in the foreign markets, then Russia’s grain exports may decrease significantly, and the pressure of grain surpluses may affect next year’s sown area.

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



Source: Ministry of Agriculture of the Russian Federation

Marketing

Grain storage

Limited storage capacity and uneven distribution of storage in the country may affect quality of grain and its availability in the proper time in proper place. According to experts, the grain surplus in the Russian market is a big problem. Many provinces in European Russia do not have storage to keep the bumper crop. As of September 1, 2008, in the Central Federal District up to 10 MMT of grain, or 1/10 of all Russian grain crops, was kept in the barns or in other places, "not suitable for the long term safe storage of grain". Regional elevators and terminals are filled to the top. Furthermore, the European elevators need to empty capacity for the coming sunflowerseeds. Some experts advise transporting grain from European Russia to Siberia, where storage capacity is not filled. However, it is unlikely that the traders could afford the present railway tariffs to transport grain to Siberia for storing. Meantime, the feed millers are delaying purchases as they wait for further price decreases.

Policy

In October, 2008, the Russian government decided to allocate 8 billion rubles to subsidize fertilizer, 10 billion rubles to subsidize feed grain prices, and 10 billion rubles to subsidize fuel and lubricants. These measures, as well as continued financing for priority agricultural projects, are aimed at stimulating crop production in spite of plummeting grain prices. Meantime, the grain procurement interventions remain the only measure aimed at direct support of grain prices. However, the volumes of grain that the farmers sold to the Grain intervention fund remain low, as the price trends for winter and spring are not yet clear.

Grain Procurement Interventions

According to Agricultural Minister Aleksey Gordeev, the Government can purchase up to 7 MMT in the intervention fund. As of October 29, 2008, only 616,785 metric tons were purchased. Purchases became more active in the second half of October, and financial constrains and uncertain exports may stimulate increased sales to the State Intervention Fund in November and December 2008.

Table 1. Russia: State Procurement Interventions, as of September 29, 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	4,860	5,000	5,000	5,000	24,300
Soft milling wheat, Class 4	181,305	4,450	4,900	4,860	881,300
Soft wheat, Class 5	303,615	3,850	4,100	4,067	1,234,856
Milling rye, Group A	10,395	3,800	3,900	3,879	40,325
Fodder barley	116,610	3,720	3,800	3,796	442,685
TOTAL	616,785				2,623,465

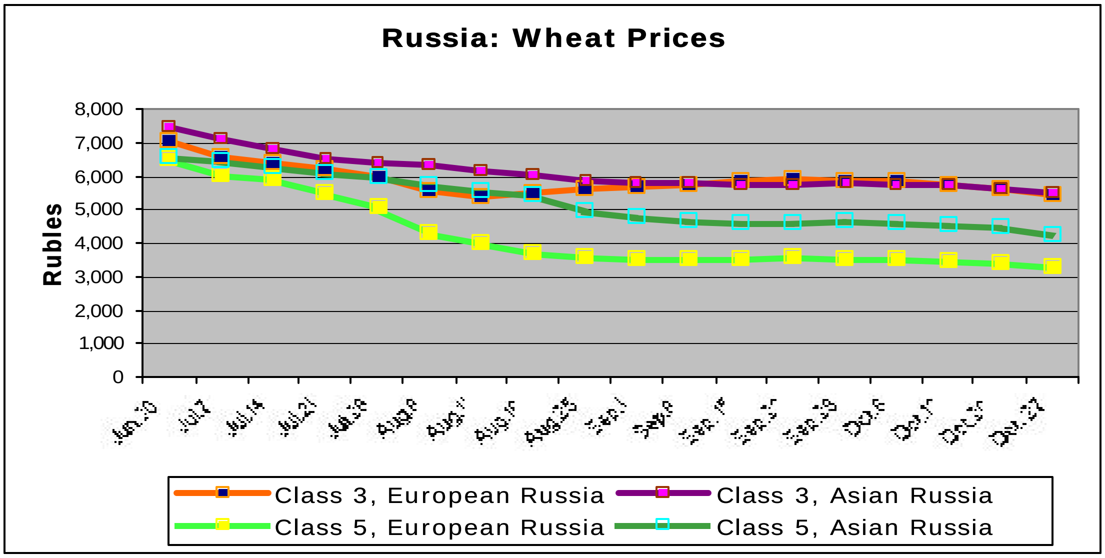
Source: NAMEX

Grain Prices

Milling wheat prices in European Russia decreased in the second half of October, 2008. According to Ministry of Agriculture, milling quality wheat prices in European Russia decreased from 5,830 rubles ($225.10) per MT on October 6, 2008 to 5,440 rubles ($201.03) per MT on October 27, 2008 (Graph 2). In some provinces of the Southern Federal District prices of wheat Class 3 dropped to 5,000 rubles ($184.77). Experts consider that this price equals the cost of production of 1 MT of milling wheat Class 3. And even for this price the demand for wheat is low. In the territories with record grain crop, like Krasnodar kray and Saratov oblast, the demand for grain is limited by the grain storage capacity at elevators and terminals. Experts report that all elevators in the Central, Volga Valley and Southern Russia are filled to the top and the elevators expect big sunflowerseeds crop to come soon. Banks are cautious in crediting traders, because the collateral (grain) is getting cheaper and cheaper. The crises has not reached Siberia yet, and while in the price of class 3 wheat in European Russia decreased in two weeks from 5,700 – 5,830 rubles to 5,300 -5,440 rubles per metric ton, in Siberia (behind Urals) the price only declined from 6,000 rubles to 5,800 rubles[2].

[2] For reference, USD exchange rates were the following: 25.90 rubles on October 4, 2008, 26.08 rubles on October 15, 2008, and 27.07 rubles per 1 USD on October 25, 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

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

	Jul. 4	Jul. 8	Aug. 1	Aug. 15	Aug. 29	Sep. 12	Sep. 26	Oct. 10	Oct. 24
Rubles per Metric Ton									
Wheat, food quality, class 3	6,700	6,025	5,515	5,660	5,800	5,915	5,840	5,695	5,320
Wheat, class 4	6,440	5,610	5,080	4,890	4,930	4,955	4,830	4,590	4,285
Food rye	6,685	5,880	4,840	4,345	4,195	4,120	4,045	3,935	3,770
Feed wheat	6,090	5,000	3,960	3,565	3,490	3,615	3,540	3,420	3,075
Feed barley	5,200	4,665	3,900	3,515	3,505	3,665	3,640	3,455	3,200
Feed corn	7,410	7,090	7,000	0		4,700	4,180	3,745	3,185
USD per Metric Ton									
Wheat, food quality, class 3	284.4	259.6	235.6	231.1	235.1	232.9	231.5	218.1	194.5
Wheat, class 4	273.4	241.7	217.1	199.7	199.9	195.1	191.3	175.8	156.7
Food rye	283.8	253.3	206.8	177.4	170.1	162.2	160.2	150.7	137.8
Feed wheat	258.5	215.4	169.2	145.6	141.5	142.4	140.2	131.0	112.4
Feed barley	220.7	201.0	166.6	143.5	142.1	144.3	144.2	132.3	117.0
Feed corn	314.5	305.4	299.1	0.0	0	185.1	165.6	143.4	116.5

Source: WJ ProZerno

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		Nov	
	USDA official	Post Estimate	Data	USDA official	Post Estimate	Data	USDA official	Post Estimate	Data	
Area Harvested	23700	23700	23700	24500	24500	24500	26700	26000	26000	(1000 HA)
Beginning Stocks	3809	3809	3809	2380	2380	2380	2204	2270	2270	(1000 MT)
Production	44900	44900	44900	49400	49400	49400	61000	58500	61500	(1000 MT)
MY Imports	861	861	861	344	350	350	400	300	300	(1000 MT)
TY Imports	861	861	861	344	350	350	400	300	300	(1000 MT)
TY Imp. from U.S.	0	0	0	0	0	0	0	0	0	(1000 MT)
Total Supply	49570	49570	49570	52124	52130	52130	63604	61070	64070	(1000 MT)
MY Exports	10790	10790	10790	12220	12160	12160	14000	14500	13600	(1000 MT)
TY Exports	10790	10790	10790	12220	12160	12160	14000	14500	13600	(1000 MT)
Feed Consumption	14100	14100	14100	15050	15050	15050	19000	17300	19500	(1000 MT)
FSI Consumption	22300	22300	22300	22650	22650	22650	24000	23500	24300	(1000 MT)
Total Consumption	36400	36400	36400	37700	37700	37700	43000	40800	43800	(1000 MT)
Ending Stocks	2380	2380	2380	2204	2270	2270	6604	5770	6670	(1000 MT)
Total Distribution	49570	49570	49570	52124	52130	52130	63604	61070	64070	(1000 MT)
Yield	2.00	2.00	1.89	2.00	2.00	2.02	2.00	2.00	2.37	(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		Nov	
	USDA official	Post Estimate	Data	USDA official	Post Estimate	Data	USDA official	Post Estimate	Data	
Area Harvested	10000	10000	10000	9800	8360	8360	9700	9400	9400	(1000 HA)
Beginning Stocks	873	873	873	1226	1226	1226	956	736	736	(1000 MT)
Production	18100	18100	18100	15650	15665	15665	22000	20500	21600	(1000 MT)
MY Imports	200	200	200	176	175	175	200	100	100	(1000 MT)
TY Imports	200	200	200	200	175	175	200	100	100	(1000 MT)
TY Imp. from U.S.	0	0	0	0	0	0	0	0	0	(1000 MT)
Total Supply	19173	19173	19173	17052	17066	17066	23156	21336	22436	(1000 MT)
MY Exports	1547	1547	1547	1046	1030	1030	2500	2700	2100	(1000 MT)
TY Exports	1691	1691	1691	1300	1030	1030	3000	2700	2100	(1000 MT)
Feed Consumption	11800	11800	11800	10450	10700	10700	12200	12100	12200	(1000 MT)
FSI Consumption	4600	4600	4600	4600	4600	4600	5100	5000	5000	(1000 MT)
Total Consumption	16400	16400	16400	15050	15300	15300	17300	17100	17200	(1000 MT)
Ending Stocks	1226	1226	1226	956	736	736	3356	1536	3136	(1000 MT)
Total Distribution	19173	19173	19173	17052	17066	17066	23156	21336	22436	(1000 MT)
Yield	2.00	2.00	1.81	2.00	2.00	1.87	2.00	2.00	2.30	(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		Nov	
	USDA official	Post Estimate	Data	USDA official	Post Estimate	Data	USDA official	Post Estimate	Data	
Area Harvested	1000	1000	1000	1300	1300	1300	1600	1550	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	150	150	(1000 MT)
TY Imports	108	108	108	250	250	250	150	150	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	5925	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	4600	(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	5200	(1000 MT)
Ending Stocks	175	175	175	175	175	175	775	525	575	(1000 MT)
Total Distribution	3852	3922	3922	4375	4375	4375	6125	5925	5925	(1000 MT)
Yield	4.00	4.00	3.67	3.00	3.00	3.04	4.00	4.00	3.61	(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		Nov	
	USDA official	Post Estimate	Data	USDA official	Post Estimate	Data	USDA official	Post Estimate	Data	
Area Harvested	1800	1800	1800	2100	2100	2100	2200	2200	2200	(1000 HA)
Beginning Stocks	126	126	126	76	76	76	56	76	76	(1000 MT)
Production	3000	3000	3000	3900	3915	3915	4400	4200	4200	(1000 MT)
MY Imports	50	50	50	5	5	5	0	0	0	(1000 MT)
TY Imports	50	50	50	5	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	3981	3996	3996	4456	4276	4276	(1000 MT)
MY Exports	0	0	0	100	120	120	100	120	100	(1000 MT)
TY Exports	64	64	64	100	120	120	100	120	100	(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	3200	(1000 MT)
Total Consumption	3100	3100	3100	3825	3800	3800	4025	3960	3860	(1000 MT)
Ending Stocks	76	76	76	56	76	76	331	196	316	(1000 MT)
Total Distribution	3176	3176	3176	3981	3996	3996	4456	4276	4276	(1000 MT)
Yield	2.00	2.00	1.67	2.00	2.00	1.86	2.00	2.00	1.91	(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		Nov	
	USDA official	Post Estimate	Data	USDA official	Post Estimate	Data	USDA official	Post Estimate	Data	
Area Harvested	3600	3600	3600	3700	3320	3320	3700	3200	3200	(1000 HA)
Beginning Stocks	190	190	190	190	190	190	190	190	190	(1000 MT)
Production	4900	4900	4900	5400	5410	5410	5400	4800	4700	(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	5590	4990	4890	(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	3200	3100	(1000 MT)
FSI Consumption	1600	1600	1600	1600	1600	1600	1600	1600	1600	(1000 MT)
Total Consumption	4900	4900	4900	5400	5410	5410	5000	4800	4700	(1000 MT)
Ending Stocks	190	190	190	190	190	190	590	190	190	(1000 MT)
Total Distribution	5090	5090	5090	5590	5600	5600	5590	4990	4890	(1000 MT)
Yield	1.00	1.00	1.36	1.00	2.00	1.63	1.00	2.00	1.47	(MT/HA)

Relevant Reports

RS8075 Grain and Feed / October Monthly Update
http://www.fas.usda.gov/gainfiles/200809/146295928.pdf

RS 8066 Grain and Feed / September Monthly Update
http://www.fas.usda.gov/gainfiles/200808/146295659.pdf