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Report Highlights:
Russia's total grain crop is forecast at 75 million metric tons (mmt), due primarily to high yields in the Southern Federal District. Exports, comprised mostly of wheat, are forecast to increase to seven mmt. Prices are being pushed downward by a relatively large crop in European Russia and by early season sales or "gray" sales by farmers who need the revenue. Statements made earlier this year by the Ministry of Agriculture concerning market interventions to protect grain prices from plummeting have not yet been enacted.

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

Table of Contents

Production

Russia's total grain crop is estimated at 75 mmt, with wheat making up over 57 percent of the total. The officially reported bunker weight may exceed 82 mmt, but due to rainy weather in the southern and central parts of the country, the gap between the bunker and final clean weight may be larger then seven mmt.

According to the latest (July 27) official data on harvesting (all production data is given in bunker weight), over 14.33 mmt of grain (84 percent more than on the same date last year) has been harvested from 4.2 million hectares. Wheat constituted 11.2 mmt or 78 percent of the total. Less rain at the end of July and the beginning of August permitted farmers in the southern part of the country to complete harvesting with rather good results by August 4th. According to data from the regions, Stavropol kray harvested over 5.5 mmt of grain and Rostov oblast harvested almost six mmt from 80 percent of the total planted area. The total crop in Krasnodar kray reached 6.2 mmt from 1.4 million hectares (92 percent of planted area), winter wheat production exceeded 4.42 mmt from a harvested area of 960,800 hectares (94 percent of the total planted area), with yields of 4.6 tons per hectare. Spring barley was harvested from 107,500 hectares (91 percent of the total planted area) and the average yield reached nearly 2.5 tons per hectare. The bunker weight in these three regions was almost 18 mmt. Crop prospects in other oblasts of the Southern Federal District, the Central Federal District, and in the Volga Valley Federal District, also look promising. Due to hot weather in the Urals, the crop in this region is expected to be lower than last year. The crop in Siberia is estimated to be average.

Based on the results of the wheat crop inspection by the State Grain Inspection Service in Stavropol kray, Krasnodar kray, and Rostov oblast, the share of milling quality wheat is lower than last year, but the volume is higher. However, the volume of the best quality wheat (so called "strong" and "precious" grades, with protein over 23 percent and excellent characteristics for making dough) is lower than last year as heavy rains washed out protein during wheat ripening.

Trade

Despite decreasing world wheat and barley prices and strengthening competition due to good crops in Europe, Kazakhstan, and the Ukraine, Russia may export more than seven mmt in MY 2004. Some traders expect a shortage of boats this year in the Don River/Azov Sea region, an indicator of a very active export season.

Official data for exports in June or July is not yet available, but reports from various regions indicate traders were very active in purchasing the local crop and searching for export markets. A good crop in European Russia combined with a shortage of on-farm elevators and some farmers in desperate need of financing will initiate "gray" sales to middlemen and traders at prices as low as 1,500 R - 2,000 R ($52-$69) per metric ton. The "gray" market this year is forecast to be significant despite attempts by local administrations to reign in this market. For example, the Penza Oblast administration decided to create a special commission at the local level for "controlling harvesting" to combat those farmers who underreport yields. Lowering yields is one of the methods farmers use to hide some of their crop for "gray" sales.

Policy

Grain Interventions

Rumors have been circulating that the Government of Russia would announce starting prices for grain market interventions by the beginning of August. However, no resolutions have been published and as the final size of the crop, the final distribution of grain between regions, and the approximate prices of milling quality wheat are unclear, the decision-making process is likely to be slow.

Wheat

Based on a large crop in the European part of the country, production is forecast to increase to 43.1 mmt in MY 2004. Imports are forecast to increase to 1.5 mmt due to the intensification of imports from Kazakhstan to the Urals and Siberia, supported by the search for additional markets by some large Kazakh companies. More wheat from the European part of the country will be exported and total trade will exceed the level of MY 2003 and reach five mmt. Domestic feed consumption will also increase to 14 mmt.

The wheat export estimate for MY 2003 is raised to four mmt based on the latest data for wheat and wheat flour (in grain equivalent) during the period from July, 2003 to May, 2004

Table 1. PSD, Wheat, 1,000 Metric Tons, 1,000 Hectares

PSD Table

Country Russian Federation

Commodity Wheat (1000 HA)(1000 MT)

	2002 USDA Official [Old]	Revised Post Estimate [New]	2003 USDA Official [Old]	Estimate Post Estimate [New]	2004 USDA Official [Old]	Forecast Post Estimate [New]
Market Year Begin		07/2002		07/2003		07/2004
Area Harvested	25700	25700	22150	21500	24200	23000
Beginning Stocks	6479	6479	6133	5633	2233	1633
Production	50550	50550	34100	34030	42500	43100
TOTAL Mkt. Yr. Imports	1045	365	1000	1000	1000	1500
Jul-Jun Imports	1045	365	1000	1000	1000	1500
Jul-Jun Import U.S.	0	0	0	0	0	0
TOTAL SUPPLY	58074	57394	41233	40663	45733	46233
TOTAL Mkt. Yr. Exports	12621	12621	3500	4000	4500	5000
Jul-Jun Exports	12621	12621	3500	3900	4500	5000
Feed Dom. Consumption	16000	14700	12500	11355	13000	13000
TOTAL Dom. Consumption	39320	39140	35500	35030	36500	36600
Ending Stocks	6133	5633	2233	1633	4733	4633
TOTAL DISTRIBUTION	58074	57394	41233	40663	45733	46233

Barley

The crop forecast for MY 2004 is 18.2 mmt, higher than last year, but lower than in MY 2002. Because barley is a spring crop in Russia, planting decisions are made by farmers in the European part of the country at a time when barley prices are falling faster than wheat prices. Therefore, farmers sometimes make production decisions in favor of wheat over barley during this time and any increase in the barley crop will be based exclusively on higher yields from a smaller harvested area.

The import and export estimates in MY 2003 are raised to 400,000 metric tons and 3.01 mmt respectably based on actual trade data for July, 2003 – May, 2004.

Table 2. PSD, Barley, 1,000 Metric Tons, 1,000 Hectares

PSD Table

Country	Russian Federation					
Commodity	Barley			(1000 HA)(1000 MT)		
	2002 USDA Official [Old]	Revised Post Estimate [New]	2003 USDA Official [Old]	Estimate Post Estimate [New]	2004 USDA Official [Old]	Forecast Post Estimate [New]
Market Year Begin		07/2002		07/2003		07/2004
Area Harvested	10250	10250	10100	10500	10600	10500
Beginning Stocks	4387	4387	4706	4706	1806	1606
Production	18700	18700	18000	17946	18500	18200
TOTAL Mkt. Yr. Imports	251	251	300	400	300	300
Oct-Sep Imports	275	275	300	400	300	300
Oct-Sep Import U.S.	0	0	0	0	0	0
TOTAL SUPPLY	23338	23338	23006	23052	20606	20106
TOTAL Mkt. Yr. Exports	3132	3132	2600	3010	2000	2000
Oct-Sep Exports	3066	3066	2800	3010	2000	2000
Feed Dom. Consumption	10700	10700	13700	13700	11600	11700
TOTAL Dom. Consumption	15500	15500	18600	18436	16600	16300
Ending Stocks	4706	4706	1806	1606	2006	1806
TOTAL DISTRIBUTION	23338	23338	23006	23052	20606	20106

Corn

The production forecast for MY 2004 is unchanged, but imports are forecast to increase to 600,000 metric tons. Imports from the Ukraine should drop because even though the corn crop is forecast to be large, Ukrainian grain companies may be more interested in exporting more feed wheat and compensating local demand from the poultry industry with corn.

Table 3. PSD, Corn, 1,000 Metric Tons, 1,000 Hectares

Country	**Russian Federation**					
Commodity	**Corn**			(1000 HA)(1000 MT)		
	2002 USDA Official [Old]	Revised Post Estimate [New]	2003 USDA Official [Old]	Estimate Post Estimate [New]	2004 USDA Official [Old]	Forecast Post Estimate [New]
Market Year Begin		10/2002		10/2003		10/2004
Area Harvested	550	544	700	700	800	800
Beginning Stocks	76	76	113	113	113	113
Production	1550	1550	2100	2115	2000	2000
TOTAL Mkt. Yr. Imports	99	99	400	400	500	600
Oct-Sep Imports	99	99	400	400	500	600
Oct-Sep Import U.S.	0	0	0	0	0	0
TOTAL SUPPLY	1725	1725	2613	2628	2613	2713
TOTAL Mkt. Yr. Exports	12	12	0	0	0	0
Oct-Sep Exports	12	12	0	0	0	0
Feed Dom. Consumption	1200	1200	2100	2115	2100	2150
TOTAL Dom. Consumption	1600	1600	2500	2515	2500	2600
Ending Stocks	113	113	113	113	113	113
TOTAL DISTRIBUTION	1725	1725	2613	2628	2613	2713