USDA Foreign Agricultural Service
GAIN Report
Global Agriculture Information Network

Template Version 2.09

Voluntary Report - public distribution

Date: 8/2/2005

GAIN Report Number: RS5059

Russian Federation

Grain and Feed

August Monthly Update

2005

Approved by:
Allan Mustard
American Embassy, Moscow

Prepared by:
Yelena Vassilieva

Report Highlights:
Russia's grain production estimate is increased to 76.8 million metric tons (mmt), including 46.5 mmt of wheat and 16.6 mmt of barley. The start date for grain procurement interventions, as well as intervention prices, has not been announced yet. Grain prices are expected to fall, to the benefit of exporters.

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

Table of Contents

Executive Summary

Russia's estimated grain output is raised to 76.8 million metric tons (mmt), including 46.5 mmt of wheat and 16.6 mmt of barley. A possible slight increase in the harvested area due to better winter crop survival and increase of spring grain planted area in Siberia will be offset by lower yields due to inadequate pesticide applications--warm and rainy weather increased weediness of fields in most of farms in European Russia. Domestic feed consumption is forecast to increase by 0.5 mmt, and exports will grow by 1.6 mmt to 10.1 mmt. It is not yet clear when grain procurement interventions will start, and intervention prices have not been announced yet. Grain export quality certification procedures remain unclear, and the temporary certification procedures (GAIN Report RS5035 *Temporary Grain and Products Quality Certification for Foreign Trade*) implemented by the Federal Service for Veterinary and Phytosanitary Surveillance may be extended for another several months.

Production

Total grain production is forecast to increase by 1.2 million metric tons (mmt) to 76.8 mmt, based on recent aggregated data for grain-planted area and favorable spring weather. According to preliminary Rosstat data, the final area planted to winter and spring grains just surpassed last year's level, and reached 44.39 million hectares, including 13.26 million hectares of winter grains, 15 percent more than last year, and 31.13 million hectares of spring grains. Area under surviving winter wheat is 16 percent up from last year and reached 10.4 million hectares, while area planted to spring wheat was level with last year.

Data on area planted to other grain crops and legumes are not collected nationwide until the end of grain harvest. However, the late spring in European Russia points to a year-to-year decrease in spring barley. Wheat production has captured a larger share of area planted (58 percent, compared with 54 percent in 2004), and the share of wheat in the total grain production will exceed 60 percent.

Heavy rains and very warm weather in European Russia during June and July, and still low herbicide applications, have contributed to greater weediness. Unless the higher moisture was sufficient to offset weed encroachment, this should result in somewhat lower yields, and it will certainly reduce the quality of harvested grain, especially for wheat. The wheat production forecast is increased to 46.5

mmt metric tons, most of which will be milling/feed.

Barley production forecast is 16.6 mmt, a reduction of 600,000 metric tons from last year. Malting barley will represent a larger share of total output. Reportedly, brewing companies and some agribusiness holding companies continue to increase investments in production of malting barley, and quality seeds and good agronomy practices will boost output.

Harvest progress

The Ministry of Agriculture estimates that as of July 26, farmers harvested 22.3 mmt of grain, including 18.6 mmt of wheat (bunker weight, approximately 5-7 percent lower than the final crop). Area harvested was 7.2 million hectares. According to Ministry of Agriculture, the harvest is proceeding faster this year than last. About two million hectares more have been harvested to date in the current season compared to 2004.

As of July 26, 6.1 mmt of grain were harvested in the Southern Federal District (65 percent of the District's total planted area), while in the Central Federal District and in the Volga-Valley Federal District, harvesting had only started. Given the small number of harvesters and limited resources, a fast harvest pace will allow Russian farmers better to use available resources for harvest, for soil post-harvest treatment, for cultivation of later crops, etc, and will decrease harvest and post-harvest grain losses.

Consumption

Domestic grain consumption is forecast at 70.0 mmt, 160,000 metric tons down from last year. Food consumption and industrial use are estimated lower year-to-year, while feed domestic consumption will go up by 0.5 mmt.

Feed Consumption

Total feed consumption is forecast at 33.25 mmt, including 14.5 mmt of wheat, 11.7 mmt of barley and 2.9 mmt of corn, with oats and other grains and legumes making up the remainder. Wheat and corn will constitute a larger portion of feeds, and barley, oats and rye will become less important. Decreased feed barley production, high export demand for this crop, and increased feed demand at some poultry operations have constricted barley availability. On the positive side, these changes have increased demand for protein feeds, like sunflowerseed meal and cake, rapeseed and soybean meal and cake.

Trade

Russian grain exports will continue growing at a slow pace from an estimated 8.5 mmt in MY 2004 to 10.1 million metric tons in MY 2005. Exports of barley will just exceed 1.0 mmt. Assuming a good grain crop over all of Russia, including Siberia which usually supplies grain to the Russian Far East and Ural region, imports of grain (mostly from Kazakhstan) are forecast to decrease from 2.31 in MY 2004 to 2.11 mmt in MY 2005.

Wheat

Wheat exports (wheat and wheat flour in grain equivalent) are forecast to increase to nine mmt. North Africa, Middle and the Central East region will be main destinations for Russian wheat exports. Wheat exports in MY 2004 are estimated at 7.3 mmt.

According to unofficial Russian trade data, during the July 2004-May 2005 period Russia exported 6.9 mmt of wheat, including 1.8 mmt to Egypt, 785,000 metric tons to Azerbaijan, 485,000 metric tons to Georgia, 380,000 metric tons to Italy, 370,000 metric tons to Morocco, 320,000 metric tons to Yemen, 315,000 metric tons to Algeria, 307,000 metric tons to Israel, 287,000 metric tons to Greece, and 264,000 metric tons to Lebanon. Wheat flour exports in this period exceeded 130,000 metric tons, or 180,000 metric tons in grain equivalent. Most wheat flour was exported to Georgia and Mongolia. Thus, total wheat and wheat flour exports almost reached 7.1 mmt. Because of potential problems with grain export certification and rumors that grain purchase interventions may begin in August, exporters continue to export rapidly.

Barley

Barley exports are forecast to decline to 900,000 metric tons in 2005 primarily due to a second consecutive limited barley crop.

In July 2004 through May 2005 Russia exported slightly more than 1.0 mmt of barley, including 466,000 metric tons of barley to Saudi Arabia. Shipments of 50,000 – 100,000 metric tons were sent each to Israel, Greece, Libya, Iran, Lebanon, and Tunisia.

Corn

Corn imports will depend mostly on domestic corn output. Official data on area planted to corn are not available, but sources report that it is probably not less than in MY 2004. Until recently the weather has been favorable in southern European Russia, and the crop may reach 3.0 mmt. If realized, imports of corn may only slightly exceed last year's 300,000 metric tons. In the first eight months of MY 2004, Russia imported 160,000 metric tons of corn, including 134,000 metric tons from Ukraine. Imports from Azerbaijan were 30,000 metric tons, and the United States supplied over 13,000 metric tons of corn.

Policy

Grain Interventions

The Ministry of Agriculture has recently declared that grain interventions may start in August. However, the final schedule is not set and the minimum procurement prices have not been established. The Minister of Economic Development and Trade, whose agreement on the time and prices is necessary, declared that interventions may start in the fall. This uncertainty on the start up date and price level, along with estimates of increased wheat production, have already pushed wheat prices down by 10-13 percent in July to an average of $87.70 per metric ton.

Marketing

Grain Quality Certification for Exports and Imports

Decreasing domestic grain prices have stimulated purchases of grain for exports. According to trade sources, grain exports during July continued at a faster-than-usual pace. July grain exports were also stimulated by the possible halt in issuing grain quality export certificates on August 1. Temporary certification procedures introduced by the Federal Service for Veterinary and Phytosanitary Surveillance (VPSS) were valid only for three months until August 1 (see Gain Report RS5035 *Temporary Grain and Products Quality Certification for Foreign Trade*). However, new procedures to license independent laboratories for this certification has not been developed, and they are not expected in the coming months. Experts assume that the temporary certification by VPSS will be extended again by another resolution of the Government, but in the meantime, this uncertainty adds incentives to big grain trading companies to export as much as possible using the temporary certificates.

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

PSD Table							
Country	**Russian Federation**						
Commodity	**Wheat**				(1000 HA)(1000 MT)		
	2003	Revised	2004	Estimate	2005	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		07/2003		07/2004		07/2005	MM/YYYY
Area Harvested	22150	22150	24200	24200	24600	23500	(1000 HA)
Beginning Stocks	6133	6133	2645	2645	4145	4045	(1000 MT)
Production	34100	34100	45300	45300	47000	46500	(1000 MT)
TOTAL Mkt. Yr. Imports	1026	1026	1200	1100	1200	1050	(1000 MT)
Jul-Jun Imports	1026	1026	1200	1100	1200	1050	(1000 MT)
Jul-Jun Import U.S.	14	14	0	0	0	0	(1000 MT)
TOTAL SUPPLY	41259	41259	49145	49045	52345	51595	(1000 MT)
TOTAL Mkt. Yr. Exports	3114	3114	7000	7300	8000	9000	(1000 MT)
Jul-Jun Exports	3114	3114	7000	7300	8000	9000	(1000 MT)
Feed Dom. Consumption	12500	12500	14000	13700	16000	14500	(1000 MT)
TOTAL Dom. Consumption	35500	35500	38000	37700	40000	38500	(1000 MT)
Ending Stocks	2645	2645	4145	4045	4345	4095	(1000 MT)
TOTAL DISTRIBUTION	41259	41259	49145	49045	52345	51595	(1000 MT)

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

PSD Table							
Country	**Russian Federation**						
Commodity	**Barley**				(1000 HA)(1000 MT)		
	2003	Revised	2004	Estimate	2005	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		07/2003		07/2004		07/2005	MM/YYYY
Area Harvested	10500	10500	10000	10000	9500	10100	(1000 HA)
Beginning Stocks	4706	4706	2227	2227	2327	2277	(1000 MT)
Production	18000	18000	17200	17200	16500	16600	(1000 MT)
TOTAL Mkt. Yr. Imports	439	439	400	300	400	350	(1000 MT)
Oct-Sep Imports	475	475	400	300	400	350	(1000 MT)
Oct-Sep Import U.S.	0	0	0	0	0	0	(1000 MT)
TOTAL SUPPLY	23145	23145	19827	19727	19227	19227	(1000 MT)
TOTAL Mkt. Yr. Exports	2318	2318	1000	1050	800	1000	(1000 MT)
Oct-Sep Exports	1736	1736	1000	1100	800	1000	(1000 MT)
Feed Dom. Consumption	13700	13700	11700	11600	11700	11700	(1000 MT)
TOTAL Dom. Consumption	18600	18600	16500	16400	16500	16500	(1000 MT)
Ending Stocks	2227	2227	2327	2277	1927	1727	(1000 MT)
TOTAL DISTRIBUTION	23145	23145	19827	19727	19227	19227	(1000 MT)

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

PSD Table							
Country	**Russian Federation**						
Commodity	**Corn**				(1000 HA)(1000 MT)		
	2003	Revised	2004	Estimate	2005	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		10/2003		10/2004		10/2005	MM/YYYY
Area Harvested	700	700	900	900	750	950	(1000 HA)
Beginning Stocks	113	113	159	159	359	259	(1000 MT)
Production	2100	2100	3450	3450	2200	3000	(1000 MT)
TOTAL Mkt. Yr. Imports	496	496	300	300	200	350	(1000 MT)
Oct-Sep Imports	496	496	300	300	200	350	(1000 MT)
Oct-Sep Import U.S.	60	60	0	0	0	0	(1000 MT)
TOTAL SUPPLY	2709	2709	3909	3909	2759	3609	(1000 MT)
TOTAL Mkt. Yr. Exports	0	0	0	50	0	0	(1000 MT)
Oct-Sep Exports	0	0	0	50	0	0	(1000 MT)
Feed Dom. Consumption	2150	2150	3000	3000	2100	2900	(1000 MT)
TOTAL Dom. Consumption	2550	2550	3550	3600	2600	3400	(1000 MT)
Ending Stocks	159	159	359	259	159	209	(1000 MT)
TOTAL DISTRIBUTION	2709	2709	3909	3909	2759	3609	(1000 MT)