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Russian Federation

Grain and Feed

Barley Update

1998

Prepared by:
Asif Chaudhry

Drafted by:
Yelena Vassileva and Eric Trachtenberg

Report Highlights:

In spite of low production, in MY 1998/99 Russian traders are expected to maintain exports of barley at 700,000 tons to earn hard currency.

Includes PSD changes: Yes
Includes Trade Matrix: No
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Executive Summary

Barley has the highest export potential of all grain crops. In spite of significant decreases in barley production, Russian traders are expected to maintain a significant level of barley exports to earn hard currency following the recent ruble devaluation. As a result, post changes its barley trade forecast compared with the previous update. Russia is expected to export up to 700,000 tons of barley, while imports will not exceed 500,000 tons. Barley feed use and total domestic consumption will not change significantly from the previous year.

PSD Table						
Country:	Russian Federation					
Commodity:	Barley					
		1996		1997		1998
	Old	New	Old	New	Old	New
Market Year Begin		10/1996		10/1997		10/1998
Area Harvested	11800	11800	12500	12500	10000	10000
Beginning Stocks	2130	2130	1580	1580	3950	4250
Production	15930	15930	20780	20780	14200	13800
TOTAL Mkt. Yr. Imports	560	560	290	290	800	500
Oct-Sep Imports	560	560	290	290	800	500
Oct-Sep Import U.S.	5	5	0	0	0	0
TOTAL SUPPLY	18620	18620	22650	22650	18950	18550
TOTAL Mkt. Yr. Exports	340	340	1200	1300	300	700
Oct-Sep Exports	340	340	1200	1300	300	700
Feed Dom. Consumption	12500	12500	13400	13100	13700	13100
TOTAL Dom. Consumption	16700	16700	17500	17100	18000	17200
Ending Stocks	1580	1580	3950	4250	650	650
TOTAL DISTRIBUTION	18620	18620	22650	22650	18950	18550

Production

The production forecast for barley in 1998 is cut to 13.8 million tons. Despite the drought, the fall in barley production will be ameliorated by the high priority put on the harvest by regional governments and farmers. Driven by the prospect of earning increasingly valuable hard currency through exports, farmers are likely to strive to cut harvest losses despite fuel shortages and dilapidated machinery. A competitive product, a weak ruble and the prospect of earning foreign exchange will increase demand for Russian barley in MY 1998/99.

Trade

In 1997, five oblasts of the Russian Federation (the Rostov oblast in the Northern Caucasus economic region, Samara oblast, Saratov oblast, Volgograd oblast and Tatarstan republic in the Volga Valley economic region) produced almost 30 percent of total barley output, and almost 70 percent of all Russian barley exports. Because the 1998 drought hit harvests in these regions hardest of all, their production share may decrease to below 20 percent of total production. Because of ruble devaluation, trading companies will have strong incentive to export barley from these regions. Other areas, less damaged by the drought, may also increase exports of barley despite smaller harvests. Post forecasts barley exports for MY 1998/99 at 700,000 tons.

In Russia, the barley harvest in exporting regions starts in August, and barley export shipments follow shortly thereafter, culminating in October and November. Driven by a desire to earn hard currency, barley exports will start early this year and will likely alter the final MY data, which are calculated for the October through September period. Below are monthly data on barley exports from Russia for MY 1996/97 and MY 1997/98:

Barley exports from Russia, MY 1996/97 and MY 1997/98 (October-September)						
in thousand metric tons						
-----	-----	-----	-----	-----	-----	-----
	TOTAL	Estonia	Saudi Arabia	Israel	Other	
-----	-----	-----	-----	-----	-----	
MY 1996/97	340	70	90	100	80	
including:						
- Jul. 97	17	0	0	10	6	
- Aug. 97	92	0	19	26	47	
- Sep. 97	194	32	68	17	77	
MY 1997/98	1,207	446	300	68	393	
including:						
- Oct. 97	457	166	118	27	145	
- Nov. 97	309	107	80	14	108	
- Dec. 97	203	67	51	0	85	
- Jan. 98	131	60	40	0	31	
- Feb. 98	32	23	8	1	1	
- Mar. 98	27	15	3	6	2	
- Apr. 98	8	2	0	4	3	
- May 98	13	2	0	0	11	
- Jun. 98	27	4	0	16	7	
- Jul. 98	n.a.	n.a.	n.a.	n.a.	n.a.	
- Aug. 98	n.a.	n.a.	n.a.	n.a.	n.a.	
- Sep. 98	n.a.	n.a.	n.a.	n.a.	n.a.	

Source: State Customs Committee statistical data.

Unlike exports, distribution of imports of barley by month was unchanged in MY 1997/98. Shipments typically ran around 18,000-28,000 tons per month, except in April when Russia imported 80,000 tons. Industry sources indicated that this unusual increase in imports was in anticipation of a recovery in the Russian poultry industry. For the last two years, Kazakhstan has supplied more than 80 percent of Russia's barley imports.

No significant changes in the national grain export policy are expected. However, ruble devaluation will be a significant stimulus to exports and could cause isolated shortages. In this case, it is possible that regional authorities will try to restrict the shipment of grains outside their areas. An early example of this is a Rostov oblast order "On shipment of grain and oilseeds on the territory of oblast and outside the territory of oblast," which restricts sales of grain and oilseeds outside the territory until all contract obligations of farmers with the oblast administration are filled at set prices.

Stocks

Stocks from the start of MY 1998/99 will be important sources of continued exports of barley. The push to export will drive MY 1998/99 barley stocks down significantly to 650,000 tons.