

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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## Russian Federation

**Post:** Moscow

### Government Slashes Grain Production Forecast

#### Report Categories:

Grain and Feed

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#### Report Highlights:

Current conditions have caused the Ministry of Agriculture to slash their 2010 grain production forecast to 70-75 million tons, down from their previous estimates of 80-85 million metric tons. The projected 2010 grain harvest will be the lowest since 2003, when 67 million tons were produced. As a result of drought and wildfires, the Russian Ministry of Agriculture postponed the state commodity intervention program for grain markets.

**General Information:**

Persistent record high temperatures have pushed 27 Russian regions into severe drought. According to the Russian Grain Union President, Arkady Zlochevsky, 10 million hectares or 20 percent of the total crop cultivated area has been lost.

Such conditions have caused the Ministry of Agriculture to slash their 2010 grain production forecast to 70-75 million tons, down from their previous estimates of 80-85 million metric tons. Deputy Chief Minister, Alexander Belyaev, released a statement reducing the official grain forecast to 72-75 million metric tons. The Russian Grain Union (RGU) also released a new production estimate of 72-78 million tons. Regardless of which estimate is used, all are significantly lower than the record 2008 and 2009 harvest of 108.2 million tons and 97.1 million tons, respectively. Based on Russian statistics, the projected 2010 grain harvest will be the lowest since 2003, when 67 million tons were produced.

Grain intervention supply and demand projections were revisited after the announcement of seven regions declaring a state of emergency due to forest fires, coupled with the 27 drought stricken regions. As a result, the Russian Ministry of Agriculture postponed the state commodity intervention program for grain markets. Intervention purchases were due to begin on August 4<sup>th</sup> but has been delayed and a new date has not yet been announced.. At a session overseeing the working group for drought relief efforts First Deputy Prime Minister, Viktor Zubkov, stated that the grain would be distributed using a quota system rather than the planned auction. He said, regions have asked to have their own quota, which they would use to support both large enterprises and house-hold farms alike.

The export potential for Russia is 11-14 million tons for the 2010-2011 MY, as estimated by the Russian Grain Union. According to Zlochevsky, the “worst case” scenario would drop grain exports to 11 million tons, half of last year’s total, 21.5 million ton. With the lower supply and higher prices, Zlochevsky expressed concern about Russia’s competitiveness in the global grain market. Some companies have even canceled export contracts. As of July 1, 2010 the total Russian grain stocks, according to the Federal State Statistics Service, amounted to 21.7 million tons and the Grain Union maintains that there will not be a shortage of stocks like there were in 2007.

Domestic wheat prices have increased 19 percent in the last week, SovEcon reports that milling wheat is at 5,775 rubles (\$193) per ton in the European parts of Russia. RUG forecasts prices could reach as high as 8-9 thousand rubles (\$267-300) per ton. Ideally, class three wheat prices would stabilize at 6 thousand rules (\$200) per ton, says Zlochevsky. Such volatility may be hard to control as the Ministry of Agriculture has reported a 40 percent domestic price increase in the past two weeks.