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Russian Federation

Grain and Feed

Grain Voluntary Updates, January Lockup 1998

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Report Highlights:

According to the latest official information, Russia's 1998 grain crop is estimated at around 51.5 million tons bunker weight, one of the lowest in the postwar period. While large differences in Russian domestic grain prices and international prices have resulted in an increase in feed quality wheat exports, the country will face a negative stock situation next July without imports of at least 4 million tons of wheat.

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

The official statistics continue to show Russia's total grain production at 51.5 million tons. Combining the low harvests with exhausted state grain reserves, the total 1998-9 grain supply will be one of the lowest in the postwar period. The large difference between Russian domestic and international prices spurred some exports by private grain traders who sought better prices on international markets. According to official data, Russia exported 191,000 tons of wheat in September and 141,000 tons in October. The vast majority (90 percent) of Russian exports from July to September came from Rostov out of feed quality stocks remaining from last year's crop and food quality grains purchased from other regions. Although it appears that Russian farmers have not sown any less area with winter crops this Fall compared to last year, Russian meteorological surveys indicate that the winter crop may be stunted by unfavorable conditions. Because the Russian currency and economic crises only began in August, these problems did not affect consumption of grain and grain products in MY1998. Reflecting more unfavorable conditions, the barley harvest production figure was revised downward to 11.1 million tons.

Production and Supply Overview

The final official data on the grain crop in clean weight will be released by the Russian government in January 1999. Although the latest data on bunker weight total for the 1998 grain crop is 51.5 million tons, this number may be changed by as much as +/- 1.5 million tons after the final evaluation of grain at private farms, and after the net adjustments to clean weight are completed. Combining the low harvests with exhausted state grain reserves, the total 1998-9 grain supply will be one of the lowest in the postwar period. Reflecting this tightening supply, ruble grain prices have already started to increase, i.e., from 800 rubles (\$50) per ton of bread quality wheat in September to 1,200 rubles (\$65) by the end of November 1998, although in US dollars they are still well below the international market level. This situation is more pronounced in remote regions where stocks are low, dependence on grains imported from other regions is high and transport is expensive.

The Grain Trade: Exports and Imports

The large difference in Russian domestic grain prices and international prices spurred exports by private grain traders who sought better prices on international markets (where prices are twice as high) and by fears that export controls might cut off export markets later. According to official customs data, Russia exported 191,000 tons of wheat in September and 141,000 tons in October, some of the largest exports in recent years.

Exporting Regions

The vast majority (90 percent) of Russian exports from July to September came from Rostov both out of feed quality stocks remaining from last year's crop and from the food quality crops purchased from neighboring regions. All together in the period July-September, companies in Rostov oblast exported 312,000 tons of wheat, which was 90 percent of total Russian wheat exports during this period. In addition to this, small quantities of food quality wheat were exported directly from Omsk Oblast and Stavropol Krai. It is worth noting, however, that at least 10 percent of these exports actually consist of wheat transshipments from Kazakhstan. Additionally, industry sources indicate that 70-80 percent of their shipments consist of feed quality wheat and that many of the contracts were concluded some time ago.

Importing Countries

Most of the destination countries for wheat shipped during August-October are mostly those markets which have traditionally imported feed quality wheat. Industry sources indicate that Israel imported 40,000 tons in September and 15,000 tons in October, most of which was feed wheat. Turkey imported 53,000 tons of wheat in September and 47,000 tons in October, again most of it was feed quality wheat. In addition, some smaller shipments of mostly feed quality wheat were sent to Poland, Estonia and Korea. Shipments to Iraq, which came to approximately 6,000 tons in September and 16,000 tons in October consisted of food wheat, but the contract dates back to June. This trade pattern is changing though: Preliminary data from October indicate that the share of shipments to non-CIS countries fell in October compared with September.

Prospects for Winter Crops

Although Russian official data on area sown under winter crops is not available, Russian meteorological surveys indicate that the winter crop may be stunted by unfavorable conditions -- the crop area with normal to good conditions is 15 percent less than in 1997. The main reason for these inferior conditions is the persistence of low soil moisture levels in major winter grain producing regions such as the Northern Caucasus. If unfavorable conditions continue, this may cut back the spring harvest which is supposed to play an important role in alleviating Russia's grain shortages. This may keep stocks at low levels.

Stocks and Russian Support for Agriculture

The main anxiety of the Russian Government about low carry over stocks ending in 1998 combined with a continuing net disinvestment from agriculture, is that domestic food security will be undermined in 1999 and thereafter. To reverse this, Russia is looking for ways to support grain producers. One of the latest official

steps to do this was a Resolution of the GOR #1399 “On the State Regulation of Insurance in the Sphere of Agroindustrial Complex”, which creates a special agency at the Ministry of Finance to manage insurance in the agroindustrial complex, including a reorganization of the state and cooperative insurance, and especially crop insurance. However, the short-term effect of these measures will depend on the ability to get money from the Federal budget, which is doubtful. This, combined with the stagnating reform of agriculture, makes prospects for increased base-level production any time in the near future unlikely. To meet its food and feed needs, Russia will likely increase imports of grain in MY 1998/99 in order to meet the required level of consumption and stocks.

Wheat

Because the Russian currency and economic crises only began in August, this crisis did not affect consumption of grain and grain products in MY1998. However, because of continuing difficulties in the livestock sector forecast 1998 wheat consumption is cut to 38.6 million tons -- thus, increasing the carry-over stocks of wheat by July 1, 1998 to 10.0 million tons. In 1999, total wheat consumption is expected to rise to 40.0 million tons because the economic crisis has induced a change in the Russian diet away from meat and to grains, a pattern which has been in place since the early 1990's. Because of high exports this fall, the export numbers are revised upwards from 500,000 tons to 700,000 tons in 1998, based on the fact that in August-October, 1998, Russian private grain traders reportedly increased wheat exports, stimulated by differences in domestic and international market prices.

Because of the devaluation of the Ruble and a wide difference between domestic and international prices, Russia is not likely to import any wheat other than what is being programed as part of the U.S. and EU food aid package. Additionally, Russia will bring in some wheat from neighboring countries under existing energy for grain barter arrangements. Imports from these three sources are not likely to exceed 4 million tons, putting the country in a very precarious situation where ending stocks could be as low as 2 million tons or less.

PSD Table						
Country:	Russian Federation					
Commodity:	Wheat					
		1996		1997		1998
	Old	New	Old	New	Old	New
Market Year Begin		06/1996		06/1997		06/1998
Area Harvested	25852	25852	25700	25700	24000	24000
Beginning Stocks	3150	3150	2580	2580	8600	10000
Production	34900	34900	44200	44200	28500	28500
TOTAL Mkt. Yr. Imports	2250	2250	2800	2800	5000	4000
Jul-Jun Imports	2250	2250	2800	2800	5000	4000
Jul-Jun Import U.S.	106	106	200	200	200	1700
TOTAL SUPPLY	40300	40300	49580	49580	42100	42500
TOTAL Mkt. Yr. Exports	720	720	980	980	500	700
Jul-Jun Exports	720	720	980	980	500	700
Feed Dom. Consumption	14000	14000	16000	15500	15000	15500
TOTAL Dom. Consumption	37000	37000	40000	38600	39600	40000
Ending Stocks	2580	2580	8600	10000	2000	1800
TOTAL DISTRIBUTION	40300	40300	49580	49580	42100	42500

Barley

Based on the latest information indicating an even worse harvest than estimated earlier, post decreases its forecast of barley production in 1998 to 11.1 million tons. Because of the continuing crisis, the import forecast is cut for 1999 to 260,000 tons, and will be primarily limited to the most urgent needs of food consumption and brewing industry. Total consumption of barley is expected to decrease.

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	4250	4260
Production	15930	15930	20780	20780	11300	11100
TOTAL Mkt. Yr. Imports	560	560	290	300	300	240
Oct-Sep Imports	560	560	290	300	300	240
Oct-Sep Import U.S.	5	5	0	0	0	0
TOTAL SUPPLY	18620	18620	22650	22660	15850	15600
TOTAL Mkt. Yr. Exports	340	340	1300	1300	300	300
Oct-Sep Exports	340	340	1300	1300	300	300
Feed Dom. Consumption	12500	12500	13100	13100	11150	11000
TOTAL Dom. Consumption	16700	16700	17100	17100	15050	14800
Ending Stocks	1580	1580	4250	4260	500	500
TOTAL DISTRIBUTION	18620	18620	22650	22660	15850	15600

Corn

PSD data for corn remained unchanged, and the discussed imports of corn under special US food supplies programs have not been included in 1999 import data.

PSD Table						
Country:	Russian Federation					
Commodity:	Corn					
		1996		1997		1998
	Old	New	Old	New	Old	New
Market Year Begin		10/1996		10/1997		10/1998
Area Harvested	700	700	900	900	800	800
Beginning Stocks	330	330	200	200	800	800
Production	1080	1080	2670	2670	1400	1400
TOTAL Mkt. Yr. Imports	192	192	190	190	50	50
Oct-Sep Imports	192	192	190	190	50	50
Oct-Sep Import U.S.	50	50	50	50	0	0
TOTAL SUPPLY	1602	1602	3060	3060	2250	2250
TOTAL Mkt. Yr. Exports	2	2	10	10	10	0
Oct-Sep Exports	2	2	10	10	10	0
Feed Dom. Consumption	800	800	1600	1600	1440	1440
TOTAL Dom. Consumption	1400	1400	2250	2250	2040	2050
Ending Stocks	200	200	800	800	200	200
TOTAL DISTRIBUTION	1602	1602	3060	3060	2250	2250