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Grain and Feed Annual

Grain and Feed Annual 2014

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Report Highlights:
Assuming average weather conditions during the growing season, FAS/Moscow forecasts Russia's 2014 grain production at 91 million metric tons (MMT), 1 MMT lower than in 2013, but almost 10 percent higher than the 5-year average (which included 2 years of drought). Overall 2014 forecasts by crop are: wheat – 52 MMT, almost the same as last year; barley - 16 MMT, 0.6 MMT or 4 percent higher than last year; and corn – 11 MMT, 0.6 MMT or 5 percent below the record crop in 2013. Grain exports for marketing year (MY) 2014/15 are forecast at 24 MMT, the same level as exports in MY 2013/14. Wheat exports are forecast at 18 MMT, 0.5 MMT larger than estimated wheat exports in MY 2013/14. Barley exports are forecast to remain at 2.5 MMT and corn exports are forecast to decrease to 2.5 MMT from the estimated record 3.2 MMT in MY 2013/14. Exports of other grains and pulses are forecasted at 0.8 MMT, the same level as in MY 2013/14.

Executive Summary:

Assuming average weather conditions during the growing season, FAS/Moscow forecasts Russia's 2014 grain production at 91 million metric tons (MMT), 1 MMT lower than in 2013, but almost 10 percent higher than the 5 year-average (which included 2 years of drought). Overall 2014 forecasts by crop are: wheat – 52 MMT, almost the same as last year; barley - 16 MMT, 0.6 MMT or 4 percent higher than last year; and corn – 11 MMT, 0.6 MMT or 5 percent below the record crop in 2013. Production of oats, rye, rice and millet is forecast at 9 MMT, 0.3 MMT lower than in 2013 due to some decrease in rye and millet production, although production of oats and rice is forecast to slightly increase. Production of other grains and pulses is will remain at the 5- year average of approximately 3 MMT.

The 2014 grain production forecast is very preliminary, as most spring grains (which account for 50-60 percent of the total grain crop in average) will not be planted for a number of weeks. Also, the condition of winter grains, although currently in good condition, still may be affected by weather in April and May. Nevertheless, grain production is forecast slightly lower than in 2013 due to the following factors:

- The Ministry of Agriculture's data shows that area sown to winter grains (wheat, rye, barley, and triticale) for 2014 is almost 10 percent less than in 2013. This is primarily due to a very wet fall in 2013 which resulted in some farmers, especially in the Central federal district, being unable to sow winter grains;
- Imported seeds and chemicals, which have been increasingly used at large modern agroholdings in recent years, are more expensive now due to the weakening of the ruble in January – March 2014;
- Financial support for crop producers from the federal and regional funds is expected to decrease due to federal and regional budget constraints in 2014;

Despite this decrease in production, grain production is still expected to be higher than the 5-year average, and the following factors are supporting this relatively large 2014 grain production forecast:

- Winter grain area in the top three winter wheat producing provinces (with historically the highest yields) - Krasnodar kray, Stavropol kray and Rostov oblast - is only 5 percent lower than in 2013, and the condition of winter grains in these provinces is better than last year. Also, winterkill is estimated to be lower this year than last year.
- Spring grain area is expected to expand from 2013 as a result of attractive grain prices. Domestic grain prices are increasingly driven both by domestic and export demand in grain and tight stocks. Russia's grain stocks as of March 1, 2014 are only slightly above those of March 2013, and well below stock levels in the previous two years, while demand for grain from flour and feed millers is stable and high. The weakening of the ruble to the U.S. dollar and the Euro provides strong stimuli to grain exports, which in turn supports domestic prices. As a result, these prices could give an incentive to farmers in Central European Russia to increase area sown to spring grains.
- According to some preliminary surveys of farmers' planting intentions, in European Russia, many plan to increase area sown to corn for grain, and since corn yields are 2-3 times higher than yields of other grains, and this may boost the total volume of the Russian grain crop in 2014.

FAS/Moscow forecasts Russia's total grain consumption at 68.6 MMY, 1.3 MMT up from the total grain consumption estimate for MY 2013/14. Domestic food and industrial consumption of grain is

expected to be 33 MMT, almost the same as in MY 2013/14. The continued slow decrease in flour and cereal consumption will be offset by rising industrial consumption of processed grain products, such as starches and syrups. Feed (including waste) consumption of grain is forecast to increase to 34.7 MMT from the estimated 33.4 MMT in MY 2013/14. The increase is due to increased feed consumption of corn, barley, oats, and legumes by the livestock sector.

Grain exports for marketing year (MY) 2014/15 are forecast at 24 MMT, the same level as exports in MY 2013/14. Wheat exports are forecast at 18 MMT, 0.5 MMT larger than estimated wheat exports in MY 2013/14. Barley exports are forecast to remain at 2.5 MMT and corn exports are forecast to decrease to 2.5 MMT from the estimated record 3.2 MMT in MY 2013/14. Exports of other grains and pulses are forecast at 0.8 MMT, the same level as in MY 2013/14.

Carry-over grain stocks are expected to increase, but not significantly, to slightly over 9 MMT from the estimated 8.8 MMT as the end of MY 2013/14.

Direct government support of the grain sector is expected to decrease in MY 2014/15 compared to 2013/14, when farmers in certain provinces received additional federal funds for the compensation of losses from either flooding as in the Far East, or dry weather in some provinces of the Volga Valley and the Urals. Livestock and dairy industries are expected to remain the priority for government support in 2014, and any expected cuts in the federal agricultural budget could affect seasonal support of crop producers and the long term programs for development of soil fertility, restoration/improvement of irrigation, and crop insurance, which will influence crop producers in the longer run. Also, 2014 will be the second year of support through per-hectare subsidies rather than price support of fuel and fertilizer. Farmers report that the volumes of per-hectare support are lower than those that were provided through prices supports.

Table 1. FAS/Moscow Post's Forecasts for MY 2014/2015, 1,000 Metric Tons, 1,000 Hectares

Grain Total	Wheat	Barley	Corn	Rye	Oats	Millet	Rice	Other	TOTAL GRAIN, incl. rough rice
Area Harvested	23,000	7,800	2,400	1,700	3,100	350	185	2,000	40,535
Beginning Stocks	6,043	1,115	681	388	234	0	60	300	8,821
Production	52,000	16,000	11,000	3,000	5,000	380	650	3,000	91,380
MY Imports	1,000	200	50	0	0	0	250	50	1,550
TY Imports	1,000	200	50	0	0	0	250	50	1,550
TY Imp. from U.S.	0	0	0	0	0	0	20	0	20
Total Supply	59,043	17,315	11,731	3,388	5,234	380	960	3,350	101,401
MY Exports	18,000	2,500	2,500	100	0	0	200	500	23,800
TY Exports	18,000	2,500	2,500	100	0	0	200	400	23,700
Feed Consumption	13,000	8,600	7,500	300	3,500	160		1,600	34,660
FSI Consumption	22,000	4,600	1,000	2,700	1,500	220		1,100	33,120
Total	35,000	13,200	8,500	3,000	5,000	380	700	2,700	68,480

Consumption									
Ending Stocks	6,043	1,615	731	288	234	0	60	150	9,121
Total Distribution	59,043	17,315	11,731	3,388	5,234	380	960	3,350	101,401
Yield	2.26	2.05	4.58	1.76	1.61	1.09	5.41	1.50	2.25

Note: The above table is composed of PSD forecasts for each crop, despite differing marketing years. The marketing year for wheat, barley, rye, oats and millet is July-June, the marketing year for corn is September-August, and the marketing year for rice is January-December.

Commodities:

Wheat

Barley

Corn

Rice, Milled

Rye

Oats

Millet

Production:

Given average weather, Russia's grain crop in 2014 is expected to be similar to last year and FAS/Moscow forecasts Russia's total grain production in 2014 at 91 million metric tons (MMT), only 1 MMT lower than in 2013. However, this level is almost 10 percent higher than the 5-year average (which included 2 years of drought). The forecast includes 52 MMT of wheat, 16 MMT of barley, 11 MMT of corn, 3 MMT of rye, 5 MMT of oats, 1 MMT of rice (rough) and 3 MMT of other grains and pulses. The forecast is based on yield trends, plantings and estimated harvesting area, and assumptions of average weather conditions for the rest of the growing season. Forecasts are very preliminary as spring sowing in most Russian provinces will only begin in April and May and weather fluctuations can be very pronounced from year to year in Russia.

The federal Ministry of Agriculture has reported to the Russian Government that the 2014 grain production target is 95 MMT, which, according to the Ministry, would allow Russia to meet domestic demand in grain and to continue strong exports. The Ministry of Agriculture plans to do their first forecast after updating the status of winter grains, possibly in the beginning of April 2013. Forecasts from industry analysts vary from 88 MMT to 98 MMT for overall 2014 grain production.

FAS/Moscow forecasts wheat harvested area at 23 million hectares, slightly (1.5 percent) less than in MY 2013/14 primarily due to decrease in winter wheat area sown for the 2014 crop. The sharpest decrease in winter grain area in the fall of 2014 was in the Central federal district (almost 20 percent decrease from 2013), where yields are lower compared to the south of European Russia. Farmers in the Central federal district may partially offset smaller winter wheat area by increasing (compared to last year) sowing of spring wheat. Meanwhile winter grain area in the south of European Russia decreased by only 5.5 percent. Winter wheat conditions as of March 2014 were reportedly better than last year, and winterkill is estimated to be lower. As winter wheat yields are traditionally higher than yields of

spring wheat, with these good conditions the forecast yield is slightly higher than the 10-year trend yields, and wheat production is forecast at almost the same level as in MY 2013/14 – 52 MMT.

FAS/Moscow forecasts barley harvested area at 7.8 million hectares, 2.5 percent lower than last year. However, yield is expected to be higher due to a better winter barley crop (which on average comprises only 10-15 percent of the total barley crop but has yields that are typically double spring barley).

FAS/Moscow forecasts corn harvested area in 2014 at 2.4 million hectares (a 3 percent increase from last year) due to a similar increase in planted area. However, it is unlikely that the weather will be as favorable to corn as last year, and the corn yield is forecast at 4.58 MT/HA (5.01 MT/HA in 2013), close to the 10-year trend yields. FAS/Moscow forecasts the 2014 corn crop at 11.0 MMT, 5.5 percent lower than in 2013.

Sown Area and Yields

According to recent Ministry of Agriculture data, area sown to winter grain in Russia's two major winter grain producing federal districts (Southern and North Caucasus) was 7.17 million hectares, and this is 0.42 million hectares (5.5 percent) less than last year. However, industry analysts report that 95 percent of winter grains there were in good and satisfactory condition by mid-March 2014, which is in line with the long-term average and better than in 2013. Also, winterkill is estimated to be lower than last year. Area sown to winter grains in the Central federal district is reported at 2.95 million hectares, which is 20.5 percent or 0.76 million hectares less than last year. However, to date the condition of winter grain there is also good. Winter grain area in the Volga Valley is 4.15 million hectares, 4.5 percent or 0.2 million hectares less than in 2013. Although winter grain there is sown in the south-western part of the Volga Valley federal district, in provinces close to the Central federal district, so far it is too early to estimate the status of winter grain in this area, in many places still covered with snow, but the moisture content there is reportedly adequate for a good winter grain crop.

The Ministry of Agriculture forecasts that in 2014, farmers will sow 31.8 million hectares with spring grains and pulses compared to 31.3 million hectares last year. The Ministry of Agriculture's plans to increase spring grain area are the following: spring wheat area will increase by 394,700 HA (to 13.2 million hectares), corn (for grain) area will increase by 138,600 HA (to 2.6 million hectares) hectares). http://www.mcx.ru/news/news/show/20179.355.htm. However, the Ministry of Agriculture has only limited ability (within the scope of federal financing of crop producers) to enforce or encourage production plans or strategy, and farmers will primarily follow market signals and trends, crop price expectations and crop rotations in their planting decisions. Warm spring weather began earlier in Central European Russia this year than the last year, but it is still too early to estimate area sown to spring grains, because most of planting will begin in April and May. However, starting from mid-March the Ministry of Agriculture began reporting weekly on the status of fertilizing winter grains and the spring grain sowing: http://mcx.ru.

Financing

There is no data on grain producers' returns, assets and debts, and financing of grain production will significantly differ from province to province and from farmer-to-farmer or agricultural enterprise. Producers in the Southern and North Caucasus federal districts are in better shape because of the proximity to export ports, given that grain exports provides them higher returns than Russia's average. Grain prices stabilized by the end of 2013 and even began increasing in January – March 2014, and this

may allow farmers to maintain grain production at last years' levels. The federal support to crop producers in 2014 is expected to remain low. Total federal funding for all programs which benefit crop producers in CY 2014 is 35 billion rubles ($1 billion), including 14.44 billion rubles ($412.5 million) for subsidizing (unbound support) crop producers in 2014 (Government Order No. 45-p of January 21, 2014). These funds are allocated for the whole year, but farmers are expected to use most of this funding during spring field works. The top ten (among the total of 80) provinces that receive these funds are Krasnodar kray, Rostov oblast Alta kray, Stavropol kray, Tatarstan Republic, Orenburg oblast, Saratov oblast, Voronezh oblast, Bashkortostan Republic, and Volgograd oblast, which altogether receive 6.9 billion rubles ($197.1 million), or 48 percent of the total. In 2013 these top ten agricultural provinces produced 51.7 percent of Russia's grains and pulses.

The Russian Ministry of Agriculture hopes that in addition to federal funds, provinces will co-finance unbound federal support in the amount of 9 billion rubles ($257.1 million). All federal programs are linked to provincial programs, and financing begins only if and when the relevant provincial "matching" program is adopted. Information on these provincial programs is very limited. But given budget constraints of many provinces, it is unlikely that they will significantly increase support to their farmers in 2014.

Delays in federal subsidy payments have continued to impact farmers. In order to remedy this, by mid-February, the Ministry of Agriculture has already sent 14.4 billion rubles in support funds to appropriate provinces and reminded these provinces that they need to deliver these funds to farmers no later than the end of February. However, some provinces hoped to save some funding for the 2014 harvest campaign, and planned to transfer only 60 percent of funds to farmers by the beginning of April and then to transfer the rest after July, 2014. The Ministry of Agriculture stated that it opposed this move, because if provinces do not obligate federal money in the first half of the year, the Ministry of Agriculture is unable to claim for additional funds from the federal Government for the second half of the year. Agricultural Minister Nikolay Fyodorov reported that the speed of financing farmers in some provinces this year is significantly slower compared to 2013.

While many farmers are still waiting to receive promised support for 2014 spring sowing, both state owned banks (Rosselkhozbank and Sberbank) as of February 25, 2014, had loaned to farmers 18.8 billion rubles ($537 million) for spring sowing. This is 12.5 percent less than on the same date last year. Rosselkhozbank loaned 14.8 billion rubles ($443 million) (minus 3 percent from last year's level), and Sberbank – 4 billion rubles ($114 million) (minus 36 percent compared with last year)[1].

Inputs Supply

Mineral fertilizer

Industry analysts report that supplies of mineral fertilizer are not expected to increase in 2014, and the application of mineral fertilizer per hectare of sown area will stagnate at approximately 40 kilograms per hectare.

[1] Source: http://www.agronews.ru/news/detail/132123/

According to the Ministry of Agriculture, the average price of the most popular simple fertilizers (including VAT, packaging, transportation and delivery to farms), in 2014 (January 1) increased compared to January 1, 2013 as following:

- ammonia nitrate by +7 percent to 10,923 rubles ($312) per MT;
- carbamide by +6 percent to 14,311 rubles ($409) per MT;
- potassium chloride by +15 percent to 10,868 rubles ($311) per MT;

Meanwhile, the price of complex, and more expensive mineral fertilizer decreased by January 1, 2014 compared to January 1, 2013:

- azophoska (nitrogen, phosphorus, potassium compound fertilizer) price decreased by 2 percent to 15,812 rubles ($452) per MT; and
- ammophos price also decreased by 9 percent to 22,177 rubles ($550) per MT[2].

According to the Ministry of Agriculture, the overall "need" in mineral fertilizer for the spring sowing 2014 is 1,076,000 MT, while as of mid-February farmers reportedly had only 375,000 MT of mineral fertilizer in stocks[3]. More recent data on stocks of fertilizer on farms are not available.

Agrochemicals

As of mid-February 2014, industry experts forecast that the overall phytosanitary situation in Russia will not deteriorate versus 2013 http://agronews.ru/news/detail/131789/, although the situation may worsen because of weather and other circumstances. One of the most significant problems is shortage of money to buy adequate amount of agrochemicals of necessary quality. Most of the effective agro-chemicals are imported, and along with decreased value of the ruble compared to U.S. dollar and Euro in January – March 2014, prices of imported chemicals have increased. While prices of the most popular farm chemicals increased by 5-6 percent from January 1, 2013 to January 1, 2014, prices of some expensive chemicals increased by as much as 23 percent. Industry analysts forecast that lower government support (per hectare) to crop producers will not allow them to buy necessary chemicals, which may be a real threat to the grain crop in 2014.

Planting Seeds

There have been reports of insufficient "quality" seeds for 2014 planting. Most wheat planting seeds are still what is called "saved" seeds, while corn is planted primarily with imported hybrid seeds. According to industry analysts, almost 77 percent of planting seeds for corn are imported seeds. The volumes of imported planting seeds of corn for the 2014 crop were higher in the period September 2013 to February 2014, compared to the same period last year. Due to planting of imported corn hybrids, and improved agro-technologies, farmers were increasing corn production in 2012 and 2013. This trend of using more imported seeds is likely to continue.

Machines and Equipment

In the middle of 2013, the Government approved state subsidies for agricultural machinery. However, by the end of 2013 only 430 million rubles ($12 million) were obligated or 18.7 percent of the planned funding. This did not stimulate domestic machine producers to increase production, and those producers who received subsidies, sold only 572 pieces of agricultural equipment (22.9 percent of forecast level) in 2013.Total farmers' purchases of agricultural equipment from all sources in 2013 were: 15,000 tractors, over 5,500 grain harvesters, and over 800 forage harvesters.

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[2] Source: Ministry of Agriculture: http://www.mcx.ru/navigation/page/show/205.htm

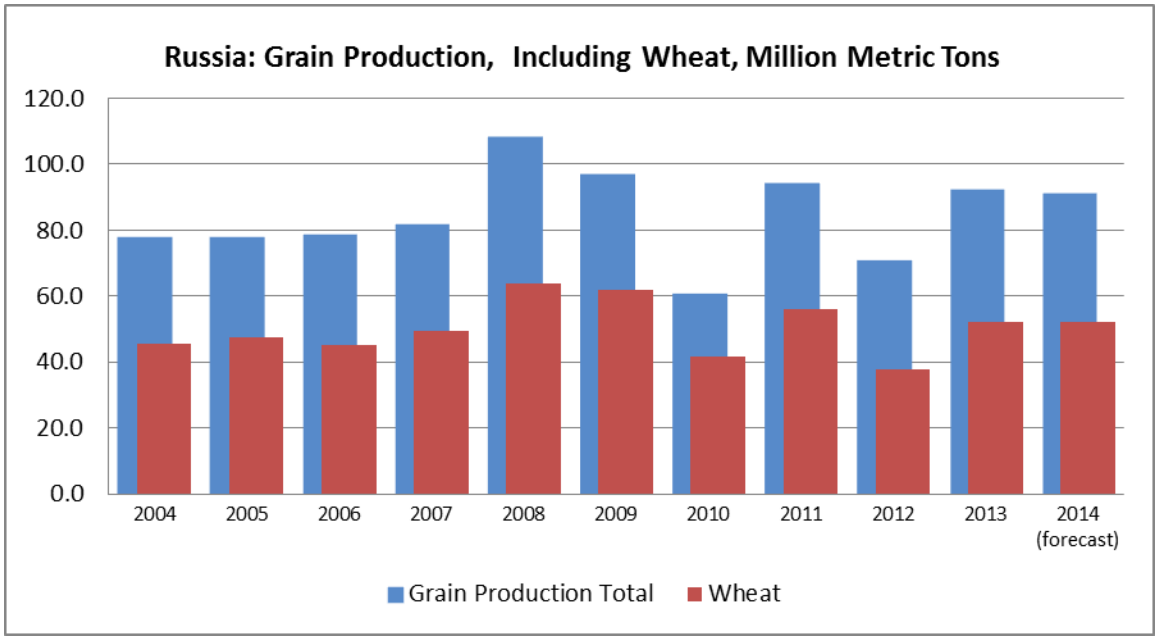
[3] Source: http://www.agronews.ru/news/detail/131720/

Fuel

Since 2013, the Russian government no longer supports fuel prices for farmers. Fuel prices are increasing and the price of gasoline (automobile fuel) increased from January 1, 2013 through January 1, 2014 by 3-10 percent depending on the quality. Farmers' procurement prices of diesel fuel increased by approximately 5 percent. It is unlikely that large grain producers will decrease consumption of fuel, since tractors, seeders and other spring cultivation and sowing equipment use is the most crucial part of their spring field work. However, the increase in fuel prices and farmers' expenses on fuel will increase the cost of production of grain crops in 2013 and this may impact small farmer planting decisions.

Russian provincial authorities have reported that farmers' estimated requirements in fuel and lubricants for spring works in March – June 2014 is estimated at 1,873,310 MT of diesel fuel and 337,470 MT of gasoline. As of March 14, 2014, Russian farmers had stocks of 336,900 MT of diesel fuel and 53,900 MT of gasoline, and this was 99 percent and 107 percent, respectively, of the level of the last year on the same date[4].

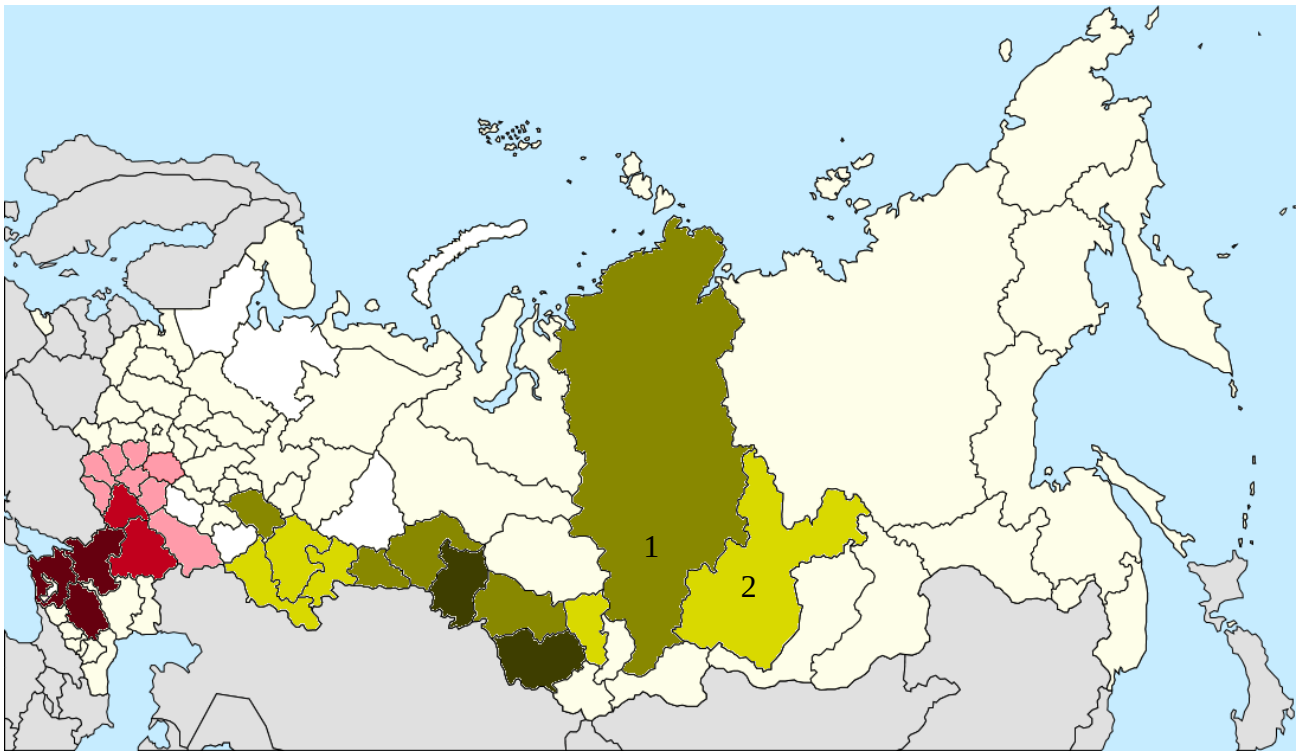
Chart 1.



Source: Rosstat

Location of winter and spring wheat production

[4] Source: http://mcx.ru/news/news/show/21771.355.htm



Note: Please note that in Krasnoyarsk kray (1) and in Irkutsk oblast (2) spring grain is produced only in the southern parts of these provinces.

Winter Wheat Production by Oblast

Pink	2% - 5%
Red	5% - 10%
Dark red	> 10 %

Highest Winter Wheat Production by Oblast (2012-2013 average)

1. Krasnodar kray - 18.6%
2. Rostov oblast - 14.9%
3. Stavropol kray – 14.1%
4. Volgograd oblast – 6.2%
5. Voronezh oblast – 5.1%
6. Kursk oblast – 4.9%
7. Orel oblast – 4.3%
8. Saratov oblast – 4.2%
9. Tambov oblast – 3.6%
10. Belgorod oblast – 3.5%
11. Lipetsk oblast 3.3%

Spring Wheat Production by Oblast

Light Green	2% - 5%
Green	5% - 10%
Dark Green	> 10%

Highest Spring Wheat Production by Oblast (2012-2013 average)

1. Altay kray – 14.0%
2. Omsk oblast – 12.6%
3. Krasnoyarsk kray – 8.8%
4. Novosibirsk oblast – 7.6%
5. Kurgan oblast 6.4%
6. Tatarstan Repuplic – 6.0%
7. Tyumen oblast – 5.1%
8. Orenburg oblast – 5.0%
9. Chelyabinsk oblast – 4.2%
10. Bashkortostan Republic – 4.0%
11. Irkutsk oblast – 2.9%
12. Kemerovo oblast – 2.2%

Summary of 2008-2013 Production Changes

At the end of March 2014, the Russian State Statistical Service (Rosstat) updated Russia's 2013 production data by 1 MMT (from 91.4 MMT to 92.4 MMT due to revised corn crop numbers). FAS/Moscow reported on the preliminary data in the Grain and Feed Update_1-27-2014.pdf, and the major crops data remain unchanged.

Wheat remains the major Russian grain crop with 56 percent of the total production.

Table 2. Planted Area, Production and Yields per Harvested Area, 2007 – 2013

	2007	2008	2009	2010	2011	2012	2013
Planted Area, 1,000 Hectares							
Wheat, total	24,382	26,633	28,698	26,614	25,552	24,684	25,064
- winter	10,597	12,692	13,835	12,699	11,805	11,842	12,334
- spring	13,785	13,941	14,863	13,915	13,747	12,843	12,729
Barley, total	9,618	9,621	9,135	7,214	7,881	8,820	9,019
- winter	537	651	582	461	383	291	392
- spring	9,081	8,970	8,553	6,753	7,498	8,529	8,628
Rye (winter)	2,097	2,162	2,142	1,757	1,547	1,558	1,832
Triticale			190	165	226	233	251
Oats (spring)	3,548	3,561	3,374	2,895	3,046	3,241	3,324
Corn for grain	1,509	1,812	1,365	1,416	1,716	2,058	2,450
Rice	162	164	183	203	211	201	190
Millet	506	572	522	521	826	474	470
Buckwheat	1,301	1,113	932	1,080	907	1,270	1,096
Legumes	1,094	1,006	1,010	1,305	1,553	1,844	1,979
Other	48	98	2	24	107	55	152
Total	44,265	46,742	47,553	43,194	43,572	44,439	45,826
Production, 1,000 Metric Tons							
Wheat, total	49,390	63,765	61,740	41,508	56,240	37,720	52,091
- winter	28,600	42,694	38,952	27,905	34,429	25,527	35,925
- spring	20,790	21,071	22,788	13,603	21,811	12,192	16,166
Barley, total	15,663	23,148	17,881	8,350	16,938	13,952	15,389
- winter	2,031	2,660	2,057	1,667	1,572	790	1,571
- spring	13,632	20,488	15,824	6,683	15,366	13,161	13,817
Rye (winter)	3,905	4,505	4,329	1,636	2,967	2,132	3,360
Triticale			508	246	523	464	582
Oats (spring)	5,407	5,835	5,401	3,220	5,332	4,027	4,932
Corn for grain	3,953	6,682	3,963	3,084	6,962	8,213	11,635
Rice	709	738	913	1,061	1,056	1,052	935
Millet	421	711	265	134	878	334	419
Buckwheat	1,005	924	564	339	800	797	834
Legumes	1,301	1,794	1,529	1,371	2,453	2,174	2,037
Other	42	77	18	11	64	45	172
Total	81,796	108,179	97,111	60,960	94,213	70,908	92,385

Yields (tons per harvested hectare							
Wheat, total	2.10	2.45	2.32	1.91	2.26	1.77	2.23
- winter	2.81	3.39	2.90	2.49	2.99	2.31	2.29
- spring	1.56	1.56	1.72	1.29	1.64	1.19	1.42
Barley, total	1.87	2.46	2.31	1.68	2.20	1.82	1.92
- winter	3.86	4.12	3.67	3.74	4.16	2.84	4.03
- spring	1.74	2.33	2.21	1.48	2.10	1.79	1.81
Rye (winter)	1.92	2.11	2.07	1.19	1.95	1.50	1.89
Triticale			2.72	1.76	2.35	2.08	2.41
Oats (spring)	1.63	1.71	1.79	1.44	1.82	1.41	1.64
Corn for grain	2.93	3.87	3.53	3.00	4.34	4.24	5.01
Rice	4.51	4.62	5.14	5.28	5.09	5.49	4.95
Millet	1.12	1.38	1.00	0.78	1.39	0.99	1.18
Buckwheat	0.84	0.92	0.90	0.59	0.95	0.77	0.92
Legumes	1.41	1.84	1.65	1.39	1.67	1.29	1.21

Source: Rosstat final data for 2013 crop year.

Consumption:

FAS/Moscow forecasts Russia's total grain consumption at 68.5 MMT, 1.3 MMT up from the total grain consumption estimate for MY 2013/14. The consumption forecast includes 33.1 MMT of food, seed, and industrial consumption and 34.7 MMT feed (including waste) consumption. Wheat consumption accounts for 51 percent of the total consumption, including 66 percent of food and industrial consumption, and 38 percent of feed consumption. The share of barley in food and industrial consumption is forecast at 14 percent, and in feed consumption – 25 percent, and the share of corn in food consumption is forecast at 3 percent, while its share in feed consumption will remain at 22 percent. The continued slow decrease in flour and cereal consumption will be offset by rising industrial consumption of processed grain products, such as starches and syrups.

Feeds

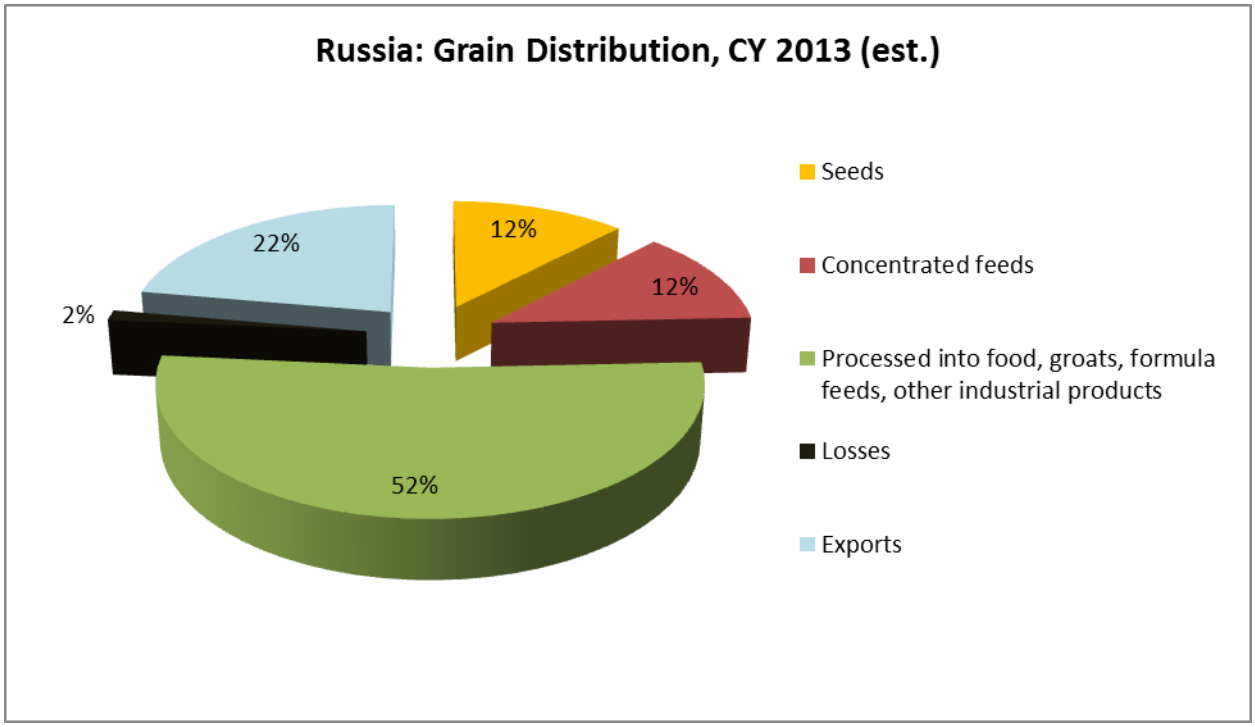
Feed (including waste) consumption of grain is forecast to increase to 34.7 MMT from the estimated 33.4 MMT in MY 2013/14. The increase is due to increased feed consumption of corn, barley, oats, and legumes by the livestock sector. The livestock sector, especially swine and poultry sectors, have continued to experience very rapid growth in recent years.

According to Rosstat, in July – December 2013, Russian procurement and processing enterprises processed over 4,326,000 MT of grain into concentrated feeds (6.5 percent more than in the same period 2012). This included 2,465,000 MT of wheat (processing of wheat increased by 3.1 percent from last year), barley – 854,000 MT (a 2.1 percent increase from last year), and over 766,000 MT of corn (plus 55 percent from last year). The share of corn in grain processed into compound feeds increased to 17.7 percent compared to 12.2 percent in July-December 2012[5].

[5] Source: http://agronews.ru/news/detail/131796/

Rosstat continues publishing "grain balances". The data are summed for the calendar year, and the distribution pattern separates seeds, concentrated feeds, losses, stocks and the gross aggregation of processed grain on a grain equivalent basis (food and industrial products, formula feeds). According to Rosstat's grain balances, in CY 2013, the total grain supply (so called "resources") was 137.0 MMT (revised resources for 2012 were 131.1 MMT). The distribution of these resources were as follows: domestic grain consumption was 65.5 MMT (in the last 10 years this figure has fluctuated from a low of 64.4 MMT in 2010 and again in 2012 to a high of 72.1 MMT in 2009), losses – 1.1 MMT, the same as in 2012, and exports – 19.0 MMT (in 2012 – 22.5 MMT). End of CY year 2013 stocks were estimated at 51.4 MMT compared to 43.1 MMT in CY 2012. The structure of distribution of grain resources in CY 2013 is in the Chart 2 below.

Chart 2.



Source: Rosstat

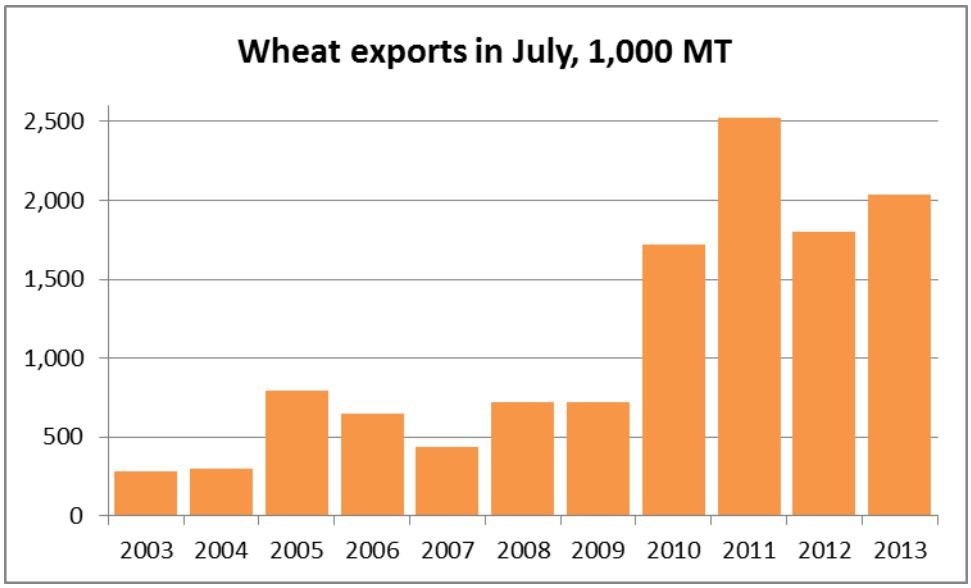
Trade:

Wheat exports are forecast at 18 MMT, 0.5 MMT larger than estimated wheat exports in MY 2013/14. Barley exports are forecast to remain at 2.5 MMT and corn exports are forecast to decrease to 2.5 MMT from the estimated record 3.2 MMT in MY 2013/14. Exports of other grains and pulses are forecast at 0.8 MMT, the same level as in MY 2013/14.

In Russia in recent years there has been a shift to more pronounced seasonality of exports from Russia, with a greater share of exports being shipped soon after the winter wheat crop is harvested. For example, during the five marketing years (2005-2010) before the wheat export ban in 2010, approximately 45 percent of total wheat exports were shipped in the first 4 months of the marketing year, July-October. However, in the three marketing years since this ban (2011-2014), FAS/Moscow estimates that this figure has increased to about 57 percent. Also, while historically July had been a

relatively slow month for Russian wheat exports, in the past 4 years it has been one of the strongest months of exports (see chart below). Possible explanations for this trend include:
--Logistics of grain exports has been improving in the last several years and expanded port infrastructure and logistics can now allow larger volumes of grain to be exported in peak months (for Russia's Grain port capacity see FAS/Moscow GAIN reports: Russian Grain Port Capacity and Transportation Update_8-16-2013.pdf).
--Traders in Russia have tried to benefit from marketing and selling grain before competitor supplies become available.
--Another factor which may have been an influence, especially in previous years, is the uncertainly of possible government export restrictions (especially as a result of the wheat export ban in 2010). This could have encouraged traders to ship as much as possible earlier in the marketing year, before rising prices and shrinking stocks could lead to any possible Government actions.

Chart 3.



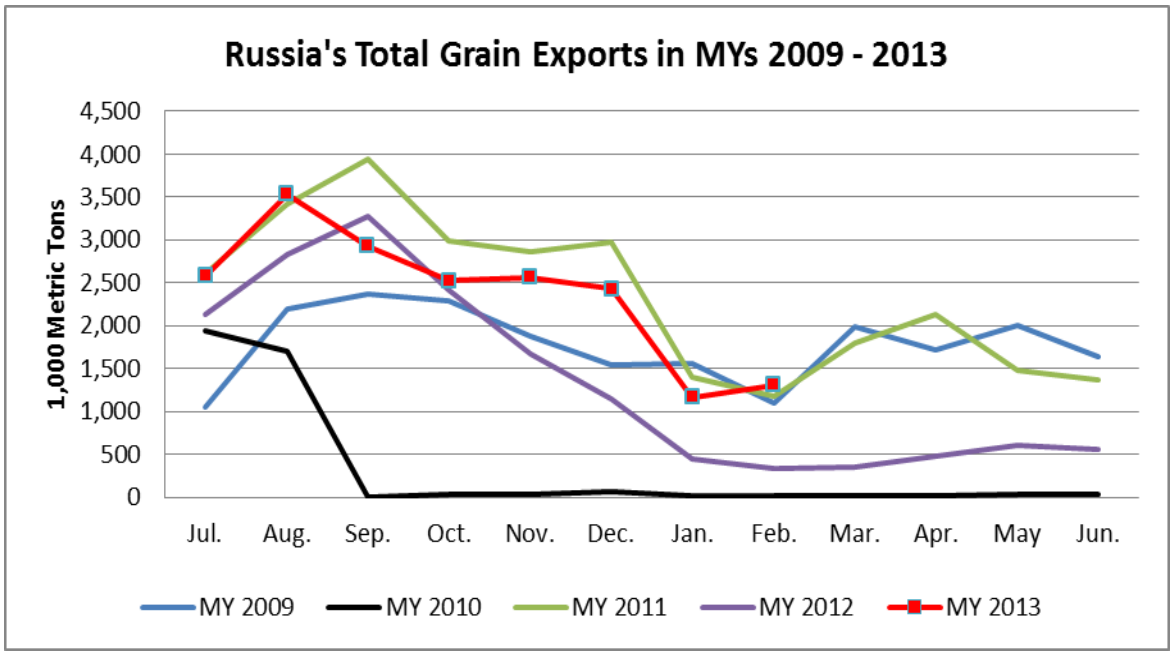
Source: Russia's Federal Customs Service (Customs)

Russia's total grain and pulse exports declined in January 2014, and analysts expected even slower exports in February. However, the 10 percent to 15 percent depreciation of Russian ruble to the U.S. Dollar and the Euro has given a boost to Russia's grain exports as Russian supplies became more competitive to international buyers. As a result, for the first time in four years, February exports were actually higher than those in January (see chart below). In July 2013 through February 2014, Russia exported 19.0 MMT of grain (including flour in grain equivalent) and pulses.

Exports of wheat in July 2013 through February 2014 were 14,082,000 MT, and exports of wheat flour in grain equivalent were 110,000 MT. The major importers of Russian wheat were Egypt (2,614,400 MT), Turkey (2,407,000 MT), Yemen (817,900 MT), Iran (655,300 MT), and Azerbaijan (545,000 MT). Exports of barley in the same period reached 1,983,600 MT, and the major importers were Saudi Arabia (1,361,600 MT), Iran (128,500 MT), and Libya (124,900 MT). Corn exports were increasing in MY 2013/14 (September – August), and in September 2013 through February 2014 Russia exported 2,449,200 MT compared to 1,300,000 MT in the same period last marketing year, and only 949,000 MT

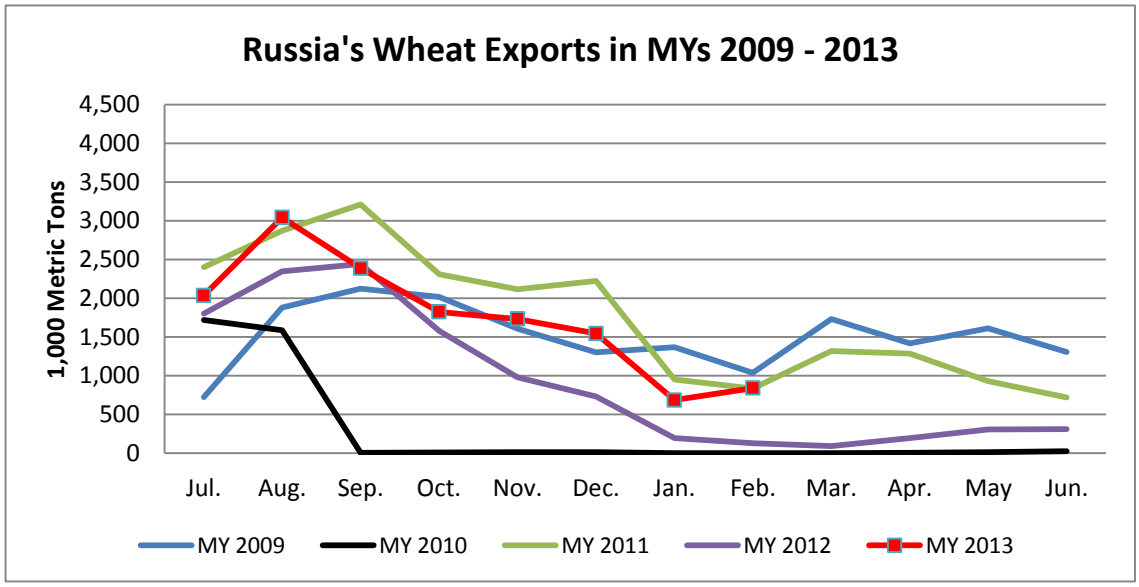
in September 2011 through February 2012. The major importers of Russian corn in MY 2013/14 were Korea Republic (601,900 MT), Turkey (528,900 MT), Iran (230,400 MT), Spain (118,400 MT), and Germany (108,400 MT). In July 2013 through February 2014 Russia also exported 203,000 MT of peas, including 95,400 MT to Turkey and 44,500 MT to Italy. Rice exports in January 2013 through December 2013 were 141,840 MT.

Chart 4.



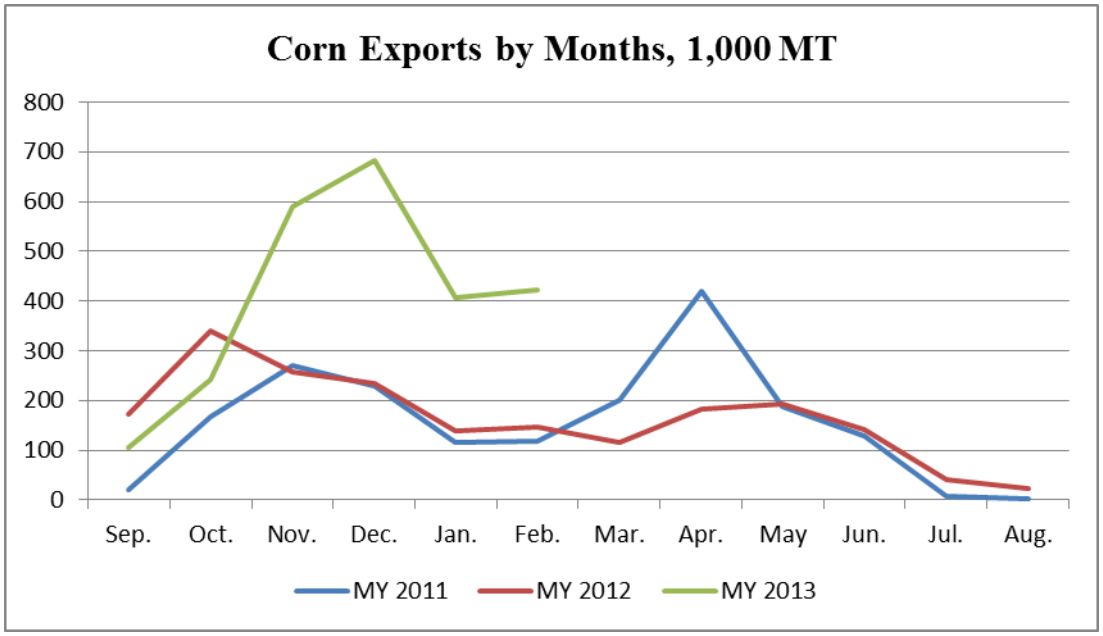
Source: Customs

Chart 5.



Source: Customs

Chart 6.

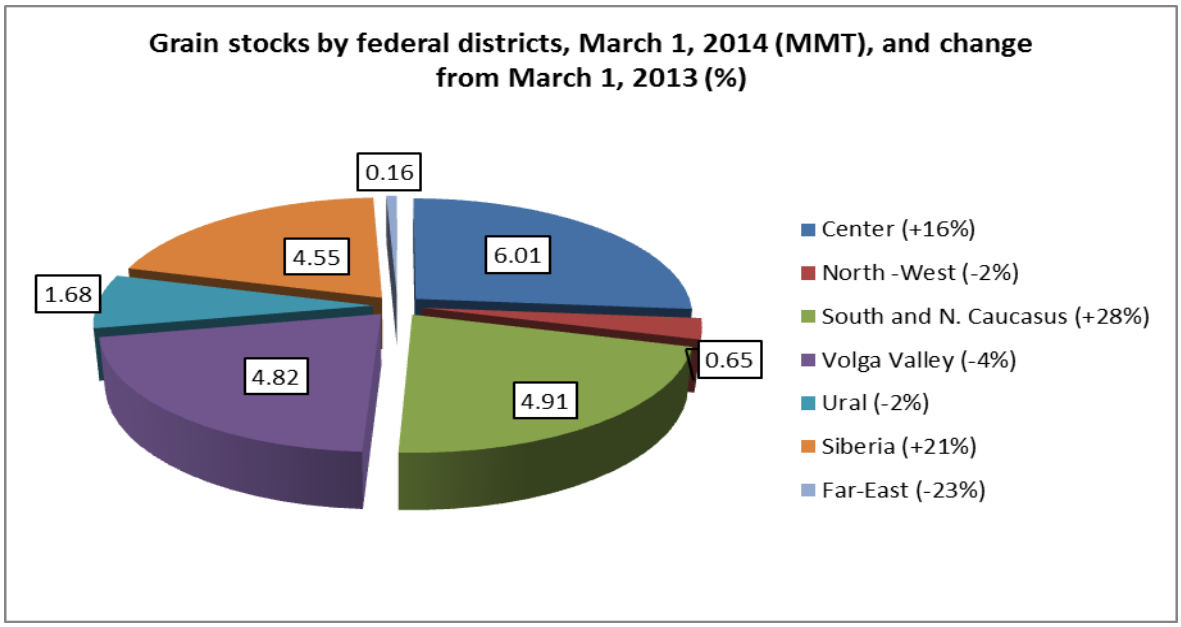


Source: Customs

Stocks:

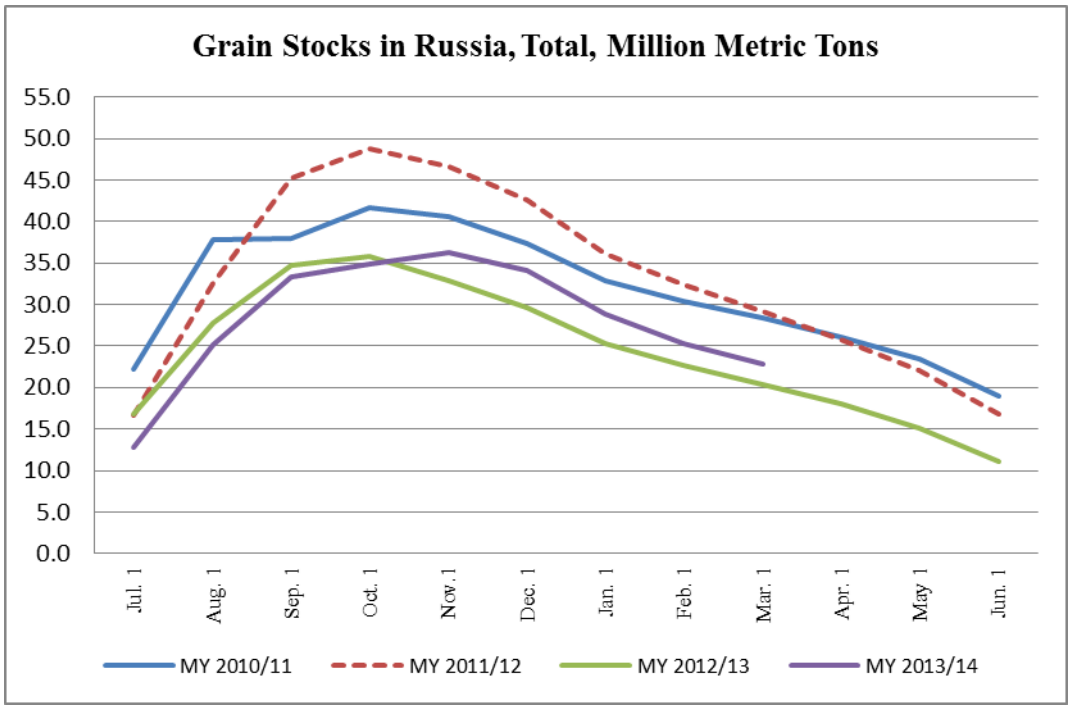
FAS/Moscow forecasts carry-over stocks of all grains by the end of MY 2014/15 at slightly over 9 MMT, a slight increase from the 8.8 MMT estimated carry-in stocks on the beginning of MY 2014/2015. As of March 1, 2014, Russia's grain stocks (Rosstat's monthly data do not cover stocks at small enterprises private farms and households), were 22.8 MMT, slightly above last year's level, but significantly below the level of the previous two years.

Chart 7.



Source: Rosstat

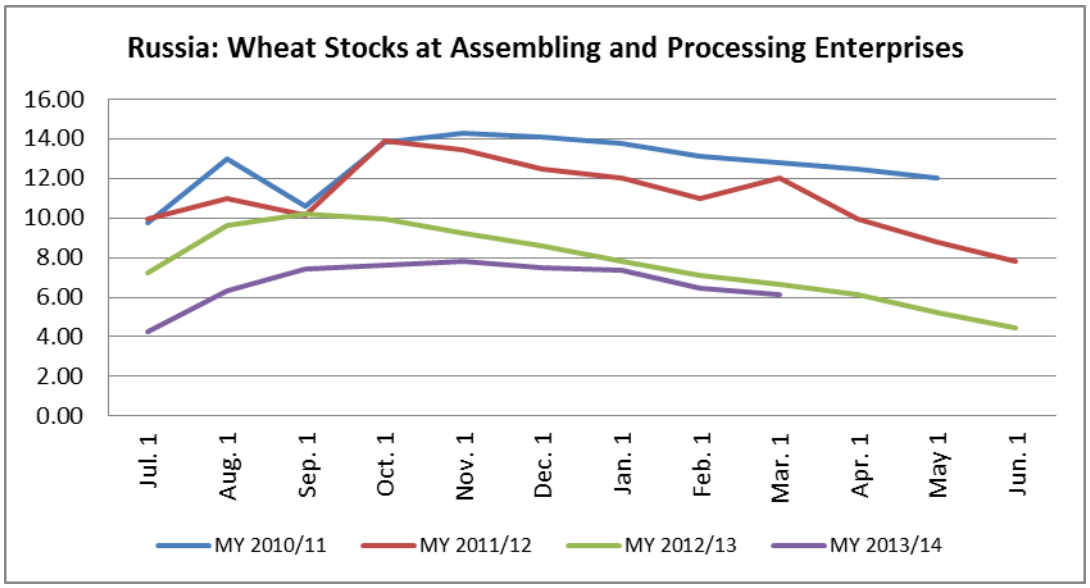
Chart 8



Source: Rosstat

Stocks of wheat at the assembling and processing enterprises decreased to the lowest level in the last 4 years: 6.15 MMT

Chart 9.

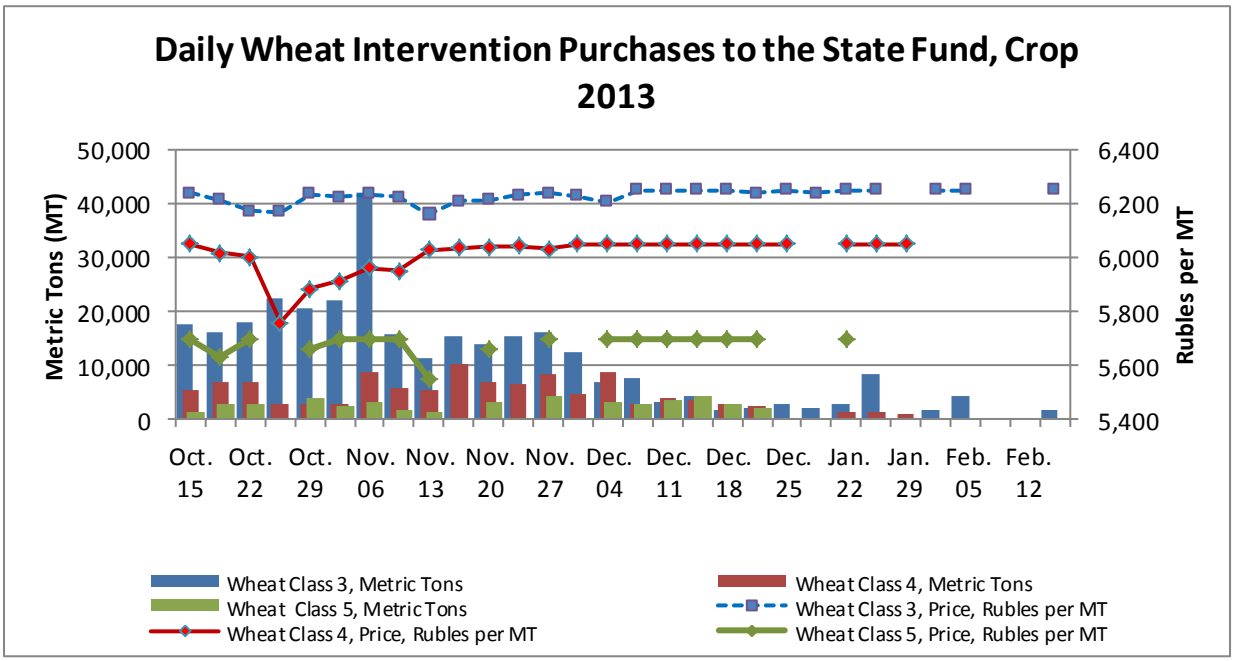


Source: Rosstat

Policy:
Government purchases to the State Intervention Fund, as well as sales of grain from this state Intervention Fund remain the major tool for stabilization of domestic grain prices, at least in areas isolated from export ports. Intervention purchases began on October 15, 2013, but after the stabilization of grain prices in December 2013 at levels higher than procurement prices, purchases of grain to the Intervention Fund began to drop. As a result of very small purchases, the Ministry of Agriculture discontinued intervention purchases in February, 2014. From October 15, 2013 through February 12, 2014 the Intervention Fund purchased 599,940 MT of grain for 3.52 billion rubles.

Due to recovering wheat prices, farmers from Siberia and Ural who sold their 2013 grain crop to the State Intervention Fund may use the option to buy back their grain, as was allowed by a Government Resolution (GAIN report Russian Farmers Allowed to Buy Their Grain Out From Intervention Fund_12-13-2013.pdf). As of end of March, some farmers had already begun preparing requests for buying back this wheat.

Chart 10. Intervention purchases in MY 2013/14.



Source: FAS/Moscow on the basis of data from commodity exchange www.namex.org

In accordance with the Russian legislation in the end of March, 2014, the Minister of Agriculture approved the target market prices, at which the government will begin purchasing 2014 grain to the State Intervention Fund. The Ministers' Order No. 94 of March 26, 2014, was posted on the Ministry of Agriculture's web-site on March 31, 2014 (http://www.mcx.ru/). The target prices for 2014 crop for wheat, food rye and fodder barley are 2-5 percent higher than those approved a year ago for 2013 crop. The target price for corn is the same as for crop 2013.

Table 3. Target grain market prices for intervention purchases and current market prices

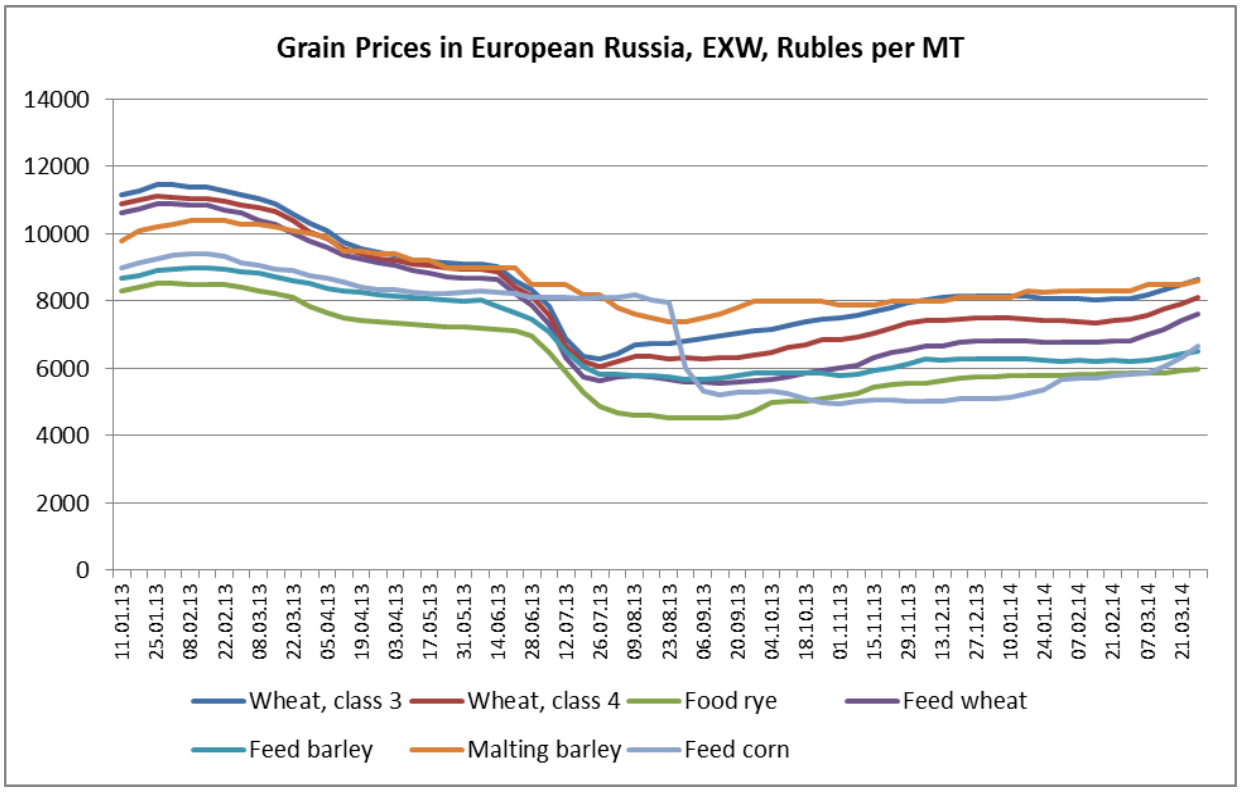
	Minimum market price		Current market price as of March 28, 2013
	For crop 2014	For crop 2013	
Wheat Class 3			
- Central, North-Western, Volga Valley, North Caucasus, Southern	6,750	6,550	from 8,375 to 9.267
- Ural, Siberia, Far Eastern	6,400	6,250	from 8,317 to 8,588
Wheat Class 4			
- Central, North-Western, Volga Valley, North Caucasus, Southern	6,450	6,300	from 7,750 to 9,033
- Ural, Siberia, Far Eastern	6,200	6,050	from 7,688 to 7,883
Wheat Class 5 (feed)			
- Central, North-Western, Volga Valley, North Caucasus, Southern	6,100	5,950	from 7,250 to 8,317
- Ural, Siberia, Far Eastern	6,000	5,700	from 7,267 to 7,425
Food rye (Group "A")	5,100	4,950	from 5,450 to 6,400
Fodder barley	5,150	5,050	from 5,200 to 6,983
Corn, Class 3	5,600	5,600	from 6,450 to 7,100

Note: Current market prices are the lowest in the Siberia federal district, and the highest prices for all crops are in the North Caucasus federal district.

Beginning July 1, 2013, Russia began regulating the safety and quality of grain as stipulated in the Customs Union Technical Regulation (TR) on Safety of Grain adopted by the Customs Union Commission Decision No. 874 of December 9, 2011. For more information on this technical regulation see FAS/Moscow GAIN report Customs Union Technical Regulation on Safety of Grain_8-16-2012.pdf.

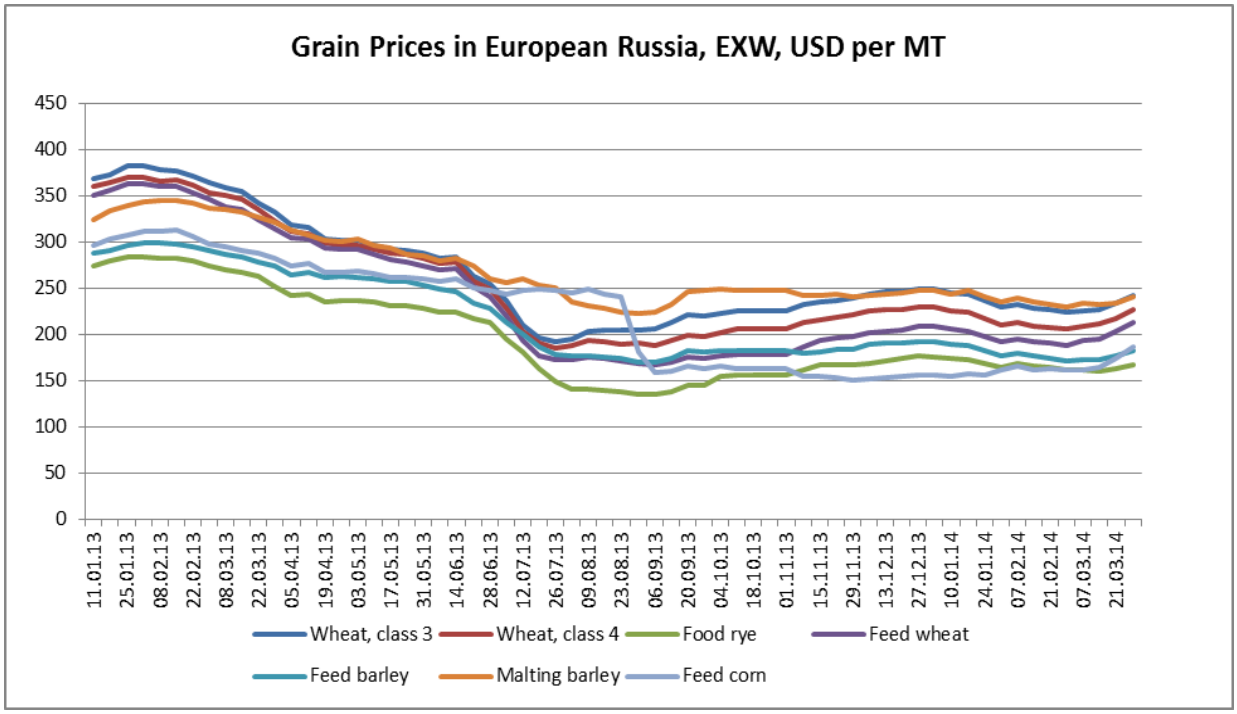
Marketing:
Grain prices began decreasing in January 2013, and reached a bottom in September 2013 on the expectation of a large crop, and decreasing world wheat prices. However, in the beginning of 2014 they began to recover slowly. This recovery accelerated in recent months as the weakening of the ruble has made Russian grain again competitive in world markets, and has strengthened exporters' demand for grain.

Chart 11.



Source: ProZerno

Chart 12



Source: ProZerno

Production, Supply and Demand Data Statistics:

PSD for Wheat, 1,000 MT, 1,000 HA

Wheat Russia	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Jul 2012		Market Year Begin: Jul 2013		Market Year Begin: Jul 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	21,296	21,296	23,350	23,359		23,300
Beginning Stocks	10,899	10,899	4,952	4,952		6,043
Production	37,720	37,720	52,068	52,091		52,000
MY Imports	1,172	1,400	1,000	1,000		1,000
TY Imports	1,172	1,400	1,000	1,000		1,000
TY Imp. from U.S.	0	0	0	0		0
Total Supply	49,791	50,019	58,020	58,043		59,043
MY Exports	11,289	11,289	17,500	17,500		18,000
TY Exports	11,289	11,289	17,500	17,500		18,000
Feed and Residual	11,900	11,900	13,000	13,000		13,000
FSI Consumption	21,650	21,878	21,500	21,500		22,000
Total Consumption	33,550	33,778	34,500	34,500		35,000
Ending Stocks	4,952	4,952	6,020	6,043		6,043
Total Distribution	49,791	50,019	58,020	58,043		59,043
1000 HA, 1000 MT, MT/HA						

PSD for Barley, 1,000 MT, 1,000 HA

Barley Russia	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Jul 2012		Market Year Begin: Jul 2013		Market Year Begin: Jul 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	7,631	7,760	8,000	8,015		7,800
Beginning Stocks	848	848	726	726		1,115
Production	13,952	13,952	15,357	15,389		16,000

MY Imports	262	262	300	300		200
TY Imports	278	278	300	300		200
TY Imp. from U.S.	0	0	0	0		0
Total Supply	15,062	15,062	16,383	16,415		17,315
MY Exports	2,236	2,236	2,500	2,500		2,500
TY Exports	2,366	2,366	2,500	2,500		2,500
Feed and Residual	7,700	7,700	8,400	8,400		8,600
FSI Consumption	4,400	4,400	4,400	4,400		4,600
Total Consumption	12,100	12,100	12,800	12,800		13,200
Ending Stocks	726	726	1,083	1,115		1,615
Total Distribution	15,062	15,062	16,383	16,415		17,315
1000 HA, 1000 MT, MT/HA						

PSD for Corn, 1,000 MT, 1,000 HA

Corn Russia	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Oct 2012		Market Year Begin: Oct 2013		Market Year Begin: Oct 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	1,937	1,937	2,120	2,322		2,400
Beginning Stocks	350	350	296	296		681
Production	8,213	8,213	10,682	11,635		11,000
MY Imports	50	50	50	50		50
TY Imports	50	50	50	50		50
TY Imp. from U.S.	0	0	0	0		0
Total Supply	8,613	8,613	11,028	11,981		11,731
MY Exports	1,917	1,917	3,000	3,200		2,500
TY Exports	1,917	1,917	3,000	3,200		2,500
Feed and Residual	5,600	5,600	6,700	7,200		7,500
FSI Consumption	800	800	900	900		1,000
Total Consumption	6,400	6,400	7,600	8,100		8,500
Ending Stocks	296	296	428	681		731
Total Distribution	8,613	8,613	11,028	11,981		11,731
1000 HA, 1000 MT, MT/HA						

PSD for Rye, 1,000 MT, 1,000 HA

Rye Russia	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Jul 2012		Market Year Begin: Jul 2013		Market Year Begin: Jul 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	1,421	1,450	1,775	1,778		1,700
Beginning Stocks	129	129	128	128		386
Production	2,132	2,132	3,358	3,360		3,000
MY Imports	0	0	0	0		0
TY Imports	0	0	0	0		0
TY Imp. from U.S.	0	0	0	0		0
Total Supply	2,261	2,261	3,486	3,488		3,386
MY Exports	133	133	100	100		100
TY Exports	78	78	100	100		100
Feed and Residual	100	100	300	300		300
FSI Consumption	1,900	1,900	2,700	2,700		2,700
Total Consumption	2,000	2,000	3,000	3,000		3,000
Ending Stocks	128	128	386	386		286
Total Distribution	2,261	2,261	3,486	3,486		3,386
1000 HA, 1000 MT, MT/HA						

PSD for Oats, 1,000 MT, 1,000 HA

Oats Russia	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Jul 2012		Market Year Begin: Jul 2013		Market Year Begin: Jul 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	2,856	2,850	3,000	3,007		3,100
Beginning Stocks	485	485	203	202		234
Production	4,027	4,027	4,921	4,932		5,000
MY Imports	0	0	0	0		0
TY Imports	0	0	0	0		0
TY Imp. from U.S.	0	0	0	0		0
Total Supply	4,512	4,512	5,124	5,134		5,234
MY Exports	9	10	10	0		0
TY Exports	4	10	10	0		0
Feed and Residual	2,900	2,900	3,400	3,400		3,500
FSI Consumption	1,400	1,400	1,500	1,500		1,500
Total Consumption	4,300	4,300	4,900	4,900		5,000
Ending Stocks	203	202	214	234		234
Total Distribution	4,512	4,512	5,124	5,134		5,234
1000 HA, 1000 MT, MT/HA						

PSD for Rice, Milled, 1,000 MT, 1,000 HA

Rice, Milled Russia	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Jan 2013		Market Year Begin: Jan 2014		Market Year Begin: Jan 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	192	185	187	185		185
Beginning Stocks	25	28	94	22		60
Milled Production	684	684	602	608		650
Rough Production	1,052	1,052	926	935		1,000
Milling Rate (.9999)	6,500	6,500	6,500	6,500		6,500
MY Imports	245	200	250	250		250
TY Imports	245	200	250	250		250
TY Imp. from U.S.	0	20	0	20		20
Total Supply	954	912	946	880		960
MY Exports	140	210	140	120		200
TY Exports	140	210	140	120		200
Consumption and Residual	720	680	720	700		700
Ending Stocks	94	22	86	60		60
Total Distribution	954	912	946	880		960
1000 HA, 1000 MT, MT/HA						

PSD for Millet, 1,000 MT, 1,000 HA

Millet Russia	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Jul 2012		Market Year Begin: Jul 2013		Market Year Begin: Jul 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	337	335	355	355		350
Beginning Stocks	0	0	0	0		0
Production	334	334	416	419		380
MY Imports	0	0	0	0		0
TY Imports	0	0	0	0		0
TY Imp. from U.S.	0	0	0	0		0
Total Supply	334	334	416	419		380
MY Exports	0	0	0	0		0
TY Exports	0	0	0	0		0
Feed and Residual	100	100	200	200		160

FSI Consumption	234	234	216	219		220
Total Consumption	334	334	416	419		380
Ending Stocks	0	0	0	0		0
Total Distribution	334	334	416	419		380
1000 HA, 1000 MT, MT/HA						