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Grain and Feed August Monthly Update

Report Categories:

Grain and Feed

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Report Highlights:

The Post's forecast for grain crops was lowered to 93 million metric tons (MMT) due to the drought in the Volga Valley and to spring frosts and dry summer weather in the Southern Federal District. Grain exports in MY 2009 is forecast to decrease by 3.2 MMT to 20.0 MMT. Grain procurement interventions have been postponed to the end of August - September period when agricultural specialists will have a better understanding of crop and price estimates in various Russian districts.

General Information:

Post forecasts for Russia's total grain production in MY 2009 is 93 million metric tons (MMT), including 58.0 MMT of wheat, 16.5 MMT of barley, over 6.3 MMT of corn, and 12.2 MMT of other grains. Drought in the Volga Valley provinces and in the Southern Federal District as well as April frosts might cause a 14 percent crop reduction compared with last year. Furthermore, some grain experts, including members of Russian Grain Union, suspect that the 2008 crop was over-reported by many provincial authorities. In 2009 the Southern Federal District began its grain harvest several days earlier than that of last year, and by July 29th Stavropol Kray and Krasnodar Kray, two major grain producers of the Southern Federal District, finished harvesting their grain except for corn and rice. However, by July 29th Russia harvested 32.0 MMT (in bunker weight), that is 3.1 MMT less

than that of the same date last year, and the average yield was 2.83 metric tons per hectare (mt/ha), 0.82 mt/ha less than that of last year. As of late July the Russian Ministry of Agriculture's grain crop forecast remained at 85.0 MMT. At the same time, experts have made forecasts varying from 75 MMT to 99 MMT. Mass media has already noticed this usually high discrepancy in forecasts and has speculated that either grain producers are attempting to keep prices high, or grain exporting companies are trying to purchase grain at the lowest possible price.

In spite of growing competition in the world markets, Russia's grain exports in MY 2009 might reach 20.0 MMT, including 17.5 MMT of wheat, and 1.8 MMT of barley, and 0.5 MMT of corn. Exports of other grains will be less than 0.1 MMT. In MY 2008 (July 2008 – June 2009) Russia exported 23.2 MMT of grain (including 0.66 of flour in grain equivalent). Russia's grain imports in MY 2009 will not exceed 1.0 MMT. In MY 2008 Russia imported 0.6 MMT of grain.

The Ministry of Agriculture postponed grain procurement interventions from the beginning of August to the end of August – September period when crop forecasts and price estimates in Russia's various grain regions will be better understood than it is today. Given budget constraints, allocations for the grain procurement interventions in 2009/10 will be much lower than that of MY 2008, though the final sum has not been determined yet. The Ministry of Agriculture and the Russian government continue to organize the United Grain Company, which should start working in the fall, but there is no information on what financial resources will be available for its operations in domestic and in export markets. Thus, by the summer and fall of 2009 most grain will have been exported by private traders.

Production:

Grain Harvest Progress^[i]

According to the Russian Ministry of Agriculture, as of July 29, 2009, Russian farmers harvested 32.0 MMT of grain from 11.3 million hectares (23.6 percent of estimated grain sown area). This is 3.1 MMT less than that of last year, and the average yield was 2.83 MT/HA (in 2008 it was 3.65 MT/HA).

The provinces of the Southern Federal District harvested 24.4 MMT of grain from 7.8 million hectares, and the remaining amount of 1.4 million hectares is planned to be harvested by mid next week. This area does not include 1.17 million hectares sown for corn and 156,300 hectares sown for rice. Stavropol and Krasnodar Kray, the two major provinces of the Southern Federal District finished harvesting their grain except for corn and rice. Stavropol harvested 6.5 MMT (the average yield is 3.2 MT/HA), and Krasnodar Kray harvested 7.6 MMT (the average yield is 4.7 MT/HA). The Stavropol Kray administration forecasts that the total grain crop, including corn and rice, will be 6.9 MMT, and Krasnodar kray forecasts that the total grain crop will be 9.0 MMT. Reporting in bunker weight does not allow comparing this and last year's crops. However, in both provinces grain production will decrease from last year's by 8.4 MMT in Stavropol Kray, and by 11.6 MMT in Krasnodar Kray.

Ten out of fourteen provinces of the Volga Valley Federal District began harvesting grain in July

2009, and harvested 3.0 MMT from 2 million hectares (14.3 percent of the planned grain harvest area). The average grain yield has been 1.49 MT/HA, 0.43 MT/HA less than that of 2008.

Eight of seventeen provinces in the Central Federal District harvested 4.4 MMT of grain from 1.4 million hectares (18.2 percent of planned grain harvest area) by July 29. Experts previously forecasted a good grain crop in this district. However, the average yield has only been 3.1 MT/HA, or 0.5 MT/HA less than that of 2008. There are symptoms that some oblast administrations in this district worry that the grain supply in European Russia may be lower than that of 2008. Thus, the Orel Oblast administration has already cautioned farmers on the restrictions on shipping grain from Orel Oblast territory.

Drought

According to the Russian Ministry of Agriculture, the June-July drought affected 3.3 million hectares of a spring grain area in six provinces in the Volga Valley Federal District, and in the Volgograd oblast. Thus, grain losses include 1,121,000 hectares in Orenburg oblast, 591,000 hectares in Samara oblast, 500,000 hectares in Bashkortostan Republic, 495,000 hectares in Saratov oblast, over 300,000 hectares in Tatarstan Republic, over 200,000 hectares in Volgograd oblast, and 76,000 hectares in Ulyanovsk oblast. According to the Russian Grain Union's preliminary estimates, Russia may lose 10-15 MMT of grain due to the drought. However, some experts consider that the draught related grain losses may have been exaggerated in order to get reimbursements from the Russian Government Reserve fund, to be allowed to extend re-payments of long-term loans, and to postpone leasing payments.

^[i] All harvest data are in bunker weight, which is 5-8 percent lower than the final crop weight.

Trade:

In spite of growing competition in the world markets, Russia's grain exports in MY 2009 may reach 20.0 MMT, including 17.5 MMT of wheat, and 1.8 MMT of barley, and 0.5 MMT of corn. Exports of other grains will be less than 0.1 MMT. Russia's grain imports in MY 2009 will not exceed 1.0 MMT.

In July 2008 – June 2009 (this is a marketing year period for most grains, except corn and rice) Russia exported 23.2 MMT of grain, including 17.66 MMT of wheat, 0.66 MT of wheat flour in grain equivalent, 3.44 MMT of barley, 1.3 MMT of corn, and approximately 0.1 MMT of other grains.

In MY 2008 Russia exported wheat (in grain and flour) to almost 70 different countries. Exports to 30 of these countries exceeded 100,000 metric tons each. The total wheat and flour (in grain equivalent) exports were 18,329,355 metric tons, including 664,450 metric tons of grain in flour. Wheat grain was exported to 63 countries, and the share of the five largest markets (Egypt, Turkey,

Pakistan, Azerbaijan and Syria) amounted to 60.5 percent. Wheat in flour was exported to 33 countries, but the share of the five leading markets (Afghanistan, Mongolia, Azerbaijan, Uzbekistan, Tajikistan) exceeded 85 percent.

Table 1. Russia: Exports of Wheat and Wheat Flour

Russia: Exports of Wheat and Flour in Grain Equivalent (MT)			
		Jul 07-Jun 08	Jul 08-Jun 09
	The World	12,143,008	18,329,355
1	Egypt	3,361,833	4,821,749
2	Turkey	693,102	2,192,581
3	Pakistan	256,686	1,430,338
4	Azerbaijan	406,058	1,326,988
5	Syria	24,427	1,003,091
6	Iran	0	570,824
7	Libya	554,801	555,586
8	Jordan	500,844	545,020
9	Bangladesh	316,127	509,309
10	Yemen	172,608	468,611
11	Tunisia	495,163	343,098
12	Israel	359,971	340,234
13	Georgia	435,508	354,564
14	Armenia	189,712	330,324
15	Iraq	0	296,748
16	Mongolia	173,161	289,774
17	Lebanon	252,115	286,203
18	Italy	591,133	229,709
19	Afghanistan	28,627	228,253
20	Kenya	126,514	225,786
21	Sudan	0	187,621
22	United Arab Emirates	27,861	161,376
23	Tanzania	121,565	145,473
24	Greece	395,307	143,039
25	Albania	187,686	129,834
26	Morocco	157,123	112,476
27	Saudi Arabia	0	111,470
28	Uzbekistan	39,167	105,944
29	Peru	0	105,934
30	Indonesia	0	105,809
	Other	2,273,442	671,059

Source: World Trade Atlas

Table 2. Russia: Exports of Barley, by Countries

Russia: Exports of barley (MT)			
	Country	Jul 07-Jun 08	Jul 08-Jun 09
	The World	1,045,253	3,444,544
1	Saudi Arabia	400,734	1,621,847
2	Syria	995	425,144
3	Iran	0	344,504
4	Jordan	247,944	218,448
5	Israel	44,101	154,273
6	Libya	15,949	133,831
7	Tunisia	107,600	83,617
8	Cyprus	5,720	79,813
9	Kuwait	46,292	70,259
10	Japan	0	61,597
11	Turkey	15,613	61,538
12	Spain	0	39,500
13	Kazakhstan	46,295	37,458
14	Italy	0	30,903
15	Greece	4,226	25,983
	Other	109,784	55,829

Source: World Trade Atlas

Table 3. Russia: Exports of Corn, by Countries

Russia: Exports of Corn MT			
	Country	Oct 07-Jun 08	Oct 08-Jun 09
	The World	47,386	1,299,060
1	Egypt	0	618,242
2	Turkey	0	107,611
3	Israel	0	98,480
4	Syria	0	93,931
5	Iran	0	78,768
6	Lebanon	0	77,357
7	Armenia	3,075	50,692
8	Azerbaijan	34,632	42,186
9	Libya	0	26,373
10	Spain	0	25,991
11	Tunisia	0	20,677
12	Cyprus	2,715	15,462
13	Algeria	0	13,587
	Other	6,963	29,705

Source: World Trade Atlas

Russia's grain imports in MY 2009 will not exceed 1.0 MMT. In MY 2008 Russia imported 0.6 MMT of grain, including 135,000 metric tons of wheat and wheat flour (grain equivalent).

Kazakhstan was the major wheat supplier to Russia. Imports of barley were only 65,204 metric

tons (in MY 2007 – 176,216 metric tons), and over half of barley imports came from Kazakhstan. Corn imports decreased by more than 4 times, due to increased domestic corn production in 2008, and in the first 3 quarters of the corn marketing year (October 2008 – June 2009). Russia imported only 45,400 metric tons of corn (including 22,000 metric tons from Ukraine, 11,000 metric tons from Canada, 4,500 metric tons from Hungary, and 2,200 metric tons from the US). In the same period last year, corn imports amounted to 209,360 metric tons. Russia's imports of rice have been decreasing the last two years. The rice marketing year is January – December. In January – June 2009 Russia imported 115,810 metric tons of rice compared with 171,160 metric tons in the same period last year. The major rice suppliers remain the same: Vietnam, Thailand, and China. Russia imported 1,014 metric tons of rice from the US (in January – June 2008 – only 128 metric tons).

Policy:

The Ministry of Agriculture will postpone grain procurement interventions from early August to late August or early September under the excuse that crop forecasts and the prices in different grain producing Russian regions will be better understood than it is today. In June 2009 the Ministry of Agriculture estimated that up to 20 billion rubles (approximately \$660 million) may be available for MY 2009 grain interventions. Given federal budget constraints, it is assumed that allocations for the grain procurement interventions in 2009/10 will be much lower than in MY 2008^[i], though the final sum has not been determined yet.

The Ministry of Agriculture and the Russian government continue to organize the United Grain Company. On July 15, 2009 the Government formed the Board of Directors and the Internal Audit Commission of the OAO United Grain Company. The following persons were included in these supervisory bodies of the Company: Y. Skrynnik, Minister of Agriculture, Y. Chikhanchin, Head of the Federal Service on Financial Monitoring, M. Alekseev, Chairman of the Board of Directors of Unikreditbank, and A. Sizov, General Director of analytical center SovEcon. By November 1, 2009 the Ministry of Agriculture and the Ministry of Economic Development shall prepare a development strategy for the United Grain Company for 2009 – 2012, and through 2015. Thus, the Company at best will start working in the fall 2009, but there is no information on financial resources that might be available for its operations in the domestic and export markets.

^[i] In MY 2008 Russian government purchased 9.6 million metric tons of grain for 46.1 billion rubles (\$1.5 billion)

Production, Supply and Demand Data Statistics :

Wheat

Wheat Russia	2007	2008	2009	
	2007/2008	2008/2009	2009/2010	
	Market Year Begin: Jul 2007	Market Year Begin: Jul 2008	Market Year Begin: Jul 2009	

	USDA Official Data		Old Post	USDA Official Data		Old Post	USDA Official Data		Aug	
			Data			Data			Data	
Area Harvested	24,500	24,500	24,500	26,700	26,000	26,000	28,600	27,000	27,000	(1000 HA)
Beginning Stocks	2,231	2,380	2,380	1,819	1,819	1,819	8,469	8,994	8,469	(1000 MT)
Production	49,400	49,400	49,400	63,700	63,745	63,745	60,000	60,000	58,000	(1000 MT)
MY Imports	440	440	440	150	130	135	300	200	200	(1000 MT)
TY Imports	440	440	440	150	130	135	300	200	200	(1000 MT)
TY Imp. from U.S.	0	0	0	0	0	0	0	0	0	(1000 MT)
Total Supply	52,071	52,220	52,220	65,669	65,694	65,699	68,769	69,194	66,669	(1000 MT)
MY Exports	12,552	12,552	12,552	18,500	18,000	18,330	18,500	17,700	17,500	(1000 MT)
TY Exports	12,552	12,552	12,552	18,500	18,000	18,330	18,500	17,700	17,500	(1000 MT)
Feed Consumption	15,050	15,150	15,150	16,000	16,000	16,200	17,000	18,000	18,000	(1000 MT)
FSI Consumption	22,650	22,699	22,699	22,700	22,700	22,700	23,000	23,500	22,700	(1000 MT)
Total Consumption	37,700	37,849	37,849	38,700	38,700	38,900	40,000	41,500	40,700	(1000 MT)
Ending Stocks	1,819	1,819	1,819	8,469	8,994	8,469	10,269	9,994	8,469	(1000 MT)
Total Distribution	52,071	52,220	52,220	65,669	65,694	65,699	68,769	69,194	66,669	(1000 MT)
Yield	2.	2.	2.02	2.	2.	2.45	2.	2.	2.15	(MT/HA)

Barley

Barley Russia	2007			2008			2009			
	2007/2008			2008/2009			2009/2010			
	Market Year Begin: Jul 2007			Market Year Begin: Jul 2008			Market Year Begin: Jul 2009			
	USDA Official Data		Old Post	USDA Official Data		Old Post	USDA Official Data		Aug	
			Data			Data			Data	
Area Harvested	9,800	8,360	8,360	9,700	9,400	9,400	9,700	9,000	9,000	(1000 HA)
Beginning Stocks	1,307	1,226	1,226	1,037	1,037	1,037	3,737	4,352	3,692	(1000 MT)
Production	15,650	15,665	15,665	23,100	23,135	23,135	17,000	16,800	16,500	(1000 MT)
MY Imports	176	175	175	100	80	65	100	100	100	(1000 MT)
TY Imports	158	175	175	100	80	65	100	100	100	(1000 MT)
TY Imp. from U.S.	0	0	0	0	0	0	0	0	0	(1000 MT)
Total Supply	17,133	17,066	17,066	24,237	24,252	24,237	20,837	21,252	20,292	(1000 MT)
MY Exports	1,046	1,046	1,046	3,400	2,800	3,445	1,800	1,500	1,800	(1000 MT)
TY Exports	1,277	1,277	1,277	3,300	2,800	3,445	1,800	1,500	1,800	(1000 MT)
Feed Consumption	10,450	10,450	10,450	12,300	12,300	12,300	12,100	12,200	12,000	(1000 MT)
	4,600	4,533	4,533	4,800	4,800	4,800	4,800	4,900	4,600	(1000 MT)
Total Consumption	15,050	14,983	14,983	17,100	17,100	17,100	16,900	17,100	16,600	(1000 MT)
Ending Stocks	1,037	1,037	1,037	3,737	4,352	3,692	2,137	2,652	1,892	(1000 MT)
Total Distribution	17,133	17,066	17,066	24,237	24,252	24,237	20,837	21,252	20,292	(1000 MT)
Yield	2.	2.	1.87	2.	2.	2.46	2.	2.	1.83	(MT/HA)

Corn

Corn Russia	2007		2008		2009			
	2007/2008		2008/2009		2009/2010			
	Market Year		Market Year		Market Year			

	Begin: Oct 2007			Begin: Oct 2008			Begin: Oct 2009			
	USDA Official Data		Old Post	USDA Official Data		Old Post	USDA Official Data		Aug	
			Data			Data			Data	
Area Harvested	1,300	1,300	1,300	1,650	1,550	1,550	1,700	1,600	1,600	(1000 HA)
Beginning Stocks	175	175	175	167	167	167	267	312	262	(1000 MT)
Production	3,950	3,950	3,950	6,600	6,645	6,645	6,500	6,700	6,300	(1000 MT)
MY Imports	341	341	341	100	100	100	100	150	150	(1000 MT)
TY Imports	341	341	341	100	100	100	100	150	150	(1000 MT)
TY Imp. from U.S.	8	8	8	0	0	0	0	0	0	(1000 MT)
Total Supply	4,466	4,466	4,466	6,867	6,912	6,912	6,867	7,162	6,712	(1000 MT)
MY Exports	49	49	49	1,300	1,300	1,350	500	700	500	(1000 MT)
TY Exports	49	49	49	1,300	1,300	1,350	500	700	500	(1000 MT)
Feed Consumption	3,650	3,650	3,650	4,600	4,600	4,600	5,300	5,300	5,300	(1000 MT)
FSI Consumption	600	600	600	700	700	700	700	700	600	(1000 MT)
Total Consumption	4,250	4,250	4,250	5,300	5,300	5,300	6,000	6,000	5,900	(1000 MT)
Ending Stocks	167	167	167	267	312	262	367	462	312	(1000 MT)
Total Distribution	4,466	4,466	4,466	6,867	6,912	6,912	6,867	7,162	6,712	(1000 MT)
Yield	3.	3.	3.04	4.	4.	4.29	4.	4.	3.94	(MT/HA)