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Report Highlights:
Post decreases forecast total grain production from 69 million metric tons (mmt) to 67 mmt based on recent weather problems and the status of harvesting. Post increases imports of wheat to 3 mmt, while simultaneously leaving exports at 4 mmt. Prices are still quite high, but Post believes they will begin to decrease in the coming months.

Includes PSD Changes: Yes
Includes Trade Matrix: No
Unscheduled Report
Moscow [RS1]
[RS]

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Production

Post decreases forecast 2003 total grain production to 67 mmt, including 35 mmt of wheat and 15.8 mmt of barley. The official Russian Government forecast remains 70 million tons, the level declared last July. According to top officials, this level will allow exports of up to five mmt, given attractive world prices. By August 25, the total harvested was only 30.2 mmt, or almost two times less than for the same time last year, casting doubt on the GOR's estimate. Grains and legumes have been threshed on 35 percent of sown area and harvesting is still lagging behind by almost two weeks compared with last summer. According to MinAg, some grain is still on the fields of Rostov and Volgograd oblasts and usually harvesting in these areas is completed by September 1. Harvesting has begun in the Central European parts of the country where continuous rains in the second half of August have made it more difficult than expected and harvest and post harvest losses will likely increase. Harvesting has also begun in the Urals and in Siberia and although the crop will be lower, the quality is still good. However, the dependency on weather conditions in this region is very high and rains and early frosts may still damage the crop significantly.

Prices remain very attractive to farmers and are stimulating them to utilize every available means to minimize losses at harvesting while yet providing incentives to report very low yields. In Voronezh oblast, the administration is already accusing private farmers of reporting their yields almost two times lower than in the big collective enterprises. If true, this means they are hiding a significant portion of their production. This will make determining the actual size of the crop in a timely manner very difficult. Another complicating factor is that many livestock farms, including dairy farms, have their own grain production (usually feed quality wheat and fodder crops), which is not captured in the total grain crop but will have a definite affect on the supply and demand situation in the country. The officially declared 70 mmt forecast will be difficult to justify by reported statistical data from farms, so Post forecasts actual grain production at 67 mmt.

Regions

Rostov Oblast: By mid August ninety-two percent of the total crop area was harvested and 3.4 mmt was threshed (average yield-1.8 tons per hectare), including 1.8 mmt of winter wheat (average yield-2.01 tons per hectare). The total crop is forty-six percent less than last year.

Krasnodar Kray: The total crop is 4.4 mmt, 48 percent less than the last year. The average yield of winter wheat is 3.5 tons per hectare, winter barley is 3.8 tons per hectare, and spring grains (wheat and barley) are 1.87 tons per hectare. The main problem in Krasnodar is how to get the product from farmers to consumption centers. Generally, only one third of total production was delivered to the local elevators and regional terminals and the rest is stored on-farm.

Stavropol Kray: The total crop is 3.6 mmt, including 2.65 mmt of food quality wheat. Last year more than 6.1 mmt was harvested.

Altay Kray: While the administration reports the crop will be not lower than last year (4.75 mmt), the private farmers' Union doubts it can exceed 3.0 – 3.5 mmt because of three weeks of drought in the middle of last summer which has already resulting in lower yields than last year. The average yield is 1.35 tons per hectare.

Consumption

Post decreases its feed consumption forecast to 33.4 mmt. Many livestock farms, especially dairy farms, produce grain for their own consumption, which may not be reported at all or in lower volumes than actual weight. Estimates of hidden (non-reported) volumes of grain on livestock farms do not exist because the situation is very different among the regions and individual farms. However, this grain may compensate to some extent for the decrease in overall feed consumption. In the case of a much lower crop than the officially declared 70 mmt, the statistical reporting agencies would be encouraged to report more accurately these on-farm stocks.

Trade

Exports

Post continues to forecast wheat exports at 4 mmt and has slightly lowered forecast barley exports to 2 mmt. The market is currently characterized by disinformation or simply a lack of information. This is especially affecting smaller traders, who claim they have sometimes been either unable to find a wheat seller or when they get to the elevator to pick up what they bought, it is not there. Sellers have either been sold wheat that has already been sold, or they never had the wheat they are now selling, or they think they can get the wheat once they have a buyer. At the same time, as Post reported in its August Grain and Feed update, many farmers are unable to hold onto their grain much past harvest due to their debt and lack of financing options. These farmers need to sell their wheat almost immediately to start planting again and this is causing the price in many areas to drop and some traders to acquire grain at a cheaper price. For example, in Kurgan oblast, farmers are reported to have sold wheat at 2,000 rubles cash per metric ton, while the local elevators want 3,000 rubles for the same quality. At the present moment the big players are controlling the market, as they are the best informed. The situation changes almost daily and is vastly different region to region.

Post included FOB prices at several major Russian export points in its August update and a survey of major traders showed prices remain at approximately the same level. However, world prices are continuing to rise making Russian wheat more competitive. Some traders comment that they are currently bringing in imports from Kazakhstan because that wheat is far cheaper than Russian wheat. In fact, many large traders contracted for Kazakh wheat early in the game and are making a profit off of it now. This will not only supplement the Russian crop, but will put downward pressure on local prices in border areas. Much of what will be exported this year may not show up in official data, as it will be cross border shipments to neighboring countries. Additionally, rumors abound that since July 1, about one million tons has already been exported. However, Post notes that some of what might go out of Russian ports might actually be Kazakh wheat and it will be very difficult to determine this.

Companies that invested in port facilities and borrowed capital for these investments are strongly lobbying in favor of continued exports. For example, new articles advertising the new grain terminal on the Azov sea are appearing and claim this facility can and will handle about one mmt this year and that the general capacity of this port will 1.5 mmt a year in the future. Grain can be delivered to the terminal by train or by truck and can be simultaneously loaded onto two ships. Additionally FOBing costs in both Russian and Ukrainian ports have been reduced as an incentive for traders to use these facilities lowering the price for Russian exports.

MinAg supports the idea of exports and Minister of Agriculture Gordeyev recently declared exports could reach 5 mmt. Gordeyev also mentioned that Moldova, Armenia, and Mongolia already placed their requests for Russian grain (from state resources). Traders claim a million tons has been exported since July. While exports have currently stopped, Post expects them to resume again in the coming months.

Imports

Imports are forecast to increase to 3.3 mmt, including 3 mmt of wheat (mostly from Kazakhstan). Most of this will fill localized grain deficit in European Russia.

Trade with the Ukraine

According to the agreement between Russia and the Ukraine, private companies will also participate in these shipments. As of the beginning of this month, a $110 per metric ton price was negotiated only for 116,000 tons of Russian wheat from state reserves, while what the actual amount and price of the other portion of the grain contract between Russia and Ukraine will be is not yet known. According to sources from the Ukraine, the expectation that this agreement will result in higher prices is acting as a brake on any current commercial shipments and may create real shortages in the Ukraine in the future. In the meantime grain may be unofficially shipped to Ukraine by truck through the porous borders.

Trade with Belarus

Given the porous borders with Belarus, the volumes of grain trade with this country are difficult to ascertain. However, in MY 2003 Post forecasts an increase in "gray" sales to both Belarus and through Belarus to the rest of Europe. The official crop forecast in 2003 in Belarus is 5.3-5.5 mmt, compared with 5.8 mmt last year, and consume portion is over 6.0 mmt a year making imports necessary. The existing practices of some European oblasts of Russia to barter grain in exchange for Belarussian tractors and goods may alone result in up to 500,000 tons grain exports to this country.

Stocks

Given last year's high exports and the officially declared stock level of not more than 10 mmt, Post decreased stocks estimate for the end of MY 2002 to 4.5 mmt for wheat and to 3.3 mmt for barley. The decrease of the end of year wheat stocks is also due to the increased volume of non-feed consumption of wheat (food and industrial use and seed for re-sowing).

Policy

Interventions

According to Minister Gordeyev, grain interventions will not be necessary again this year because the market is stable and prices are higher. However, higher grain prices generally have very little effect on the price of bread as these prices were stable in 2001 and 2002 in spite of significant fluctuations in grain prices.

Regional Policy

Farmers in Krasnodar Kray are rumored to have already sold for export almost 200,000 tons, while the regional fund is still short 180,000 tons, or almost two thirds of the declared needs of the Kray in cheap flour. The Administration made a decision to purchase grain in addition to receiving it as payments for farmers' debts and at the end of last month, increased the minimum price of wheat purchased for this fund from 3,800 rubles ($126) to 4,300 rubles ($142) per ton of class 3 wheat and from 3,600 rubles ($119) to 4,000 rubles ($132) for class 4 wheat. Additionally, the Administration is planning to levy fines on regions that did not pay their debts to the fund and to seize grain in storage on farms that have not repaid their debt.

Prices

Overall prices as of mid August for class 3 wheat (gluten 23%), VAT included, EXW, Rubles per one metric ton are:

Central Federal District - 3,700-3,900 ($122 - $129)
Volga Valley Federal District - 3,700-3,800 ($122 - $125)
Southern Federal District - 3,850-4,000 ($127 - $132)

According to the same sources, the average offer price for feed quality wheat varies from 2,850 Rubles ($94) in the Central and the Volga Valley Federal Districts to 3,100 Rubles ($102) per one metric ton in the Southern Federal District.

The Administrations of different oblasts are individually determining the prices of grain procured by the regional funds. For example, Krasnodar Kray's Administration set prices at 4,300 rubles ($142) for class 3 wheat and 4,000 rubles ($132) for class 4 wheat. The Administration of Tatarstan Republic set the prices for repayment of spring loans by farmers at the following levels: one ton of food quality wheat with gluten content 23-24 percent will be purchased from farmers at 3,200 R ($106), wheat with gluten content 25-26 percent for 3,400 rubles ($112), and wheat with gluten over 27 percent for 3,600 rubles ($119). Class 4 wheat will be purchased for 2,200 rubles ($73) per ton and the class 5 wheat for 1,800 rubles ($59) per ton. For other crops the prices are set at the following levels: food rye – 1,300 rubles (in 2002 – 1,000 rubles), fodder barley – 1,800 rubles, buckwheat – 5,000 rubles (in 2002 – only 3,000 rubles), oats – 1,000 rubles per 1 metric ton. The Governor of Saratov oblast appealed to and demanded that farmers not sell grain at lower than 4,500 rubles ($150).

These are very high prices for Russia and Post does not believe much wheat is actually being sold at these prices. Instead Post thinks this is, first, political posturing by Regional Administrations to "protect" farmers, even though these Administrations lack the power to enforce these prices. Additionally Duma elections will be held in December and Post thinks the Agrarian Party will try to use the current situation to substantiate their claim that the country is lacking a uniform and stable agricultural policy, which is now affecting consumers in addition to producers. They will also claim that the RAD (Russian Agricultural Movement) headed by Minister of Agriculture Gordeyev first of all represents the interests of big grain exporters because these exporters managed to get access to the soft-term agricultural loans for construction of port terminals to continue grain exports despite wide spread concern over the smaller crop and rising prices.

Wheat

Table 1. PSD, Wheat, Thousand Hectares, Thousand Metric Tons

PSD Table						
Country	Russian Federation					
Commodity	Wheat				(1000 HA)(1000 MT)	
	2001	Revised	2002	Estimate	2003	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		07/2001		07/2002		07/2003
Area Harvested	23800	23800	25700	25700	21500	21500
Beginning Stocks	1400	1400	6479	6479	5229	4539
Production	46900	46900	50550	50560	34000	35000
TOTAL Mkt. Yr. Imports	629	629	300	300	1000	3000
Jul-Jun Imports	629	629	300	300	1000	3000
Jul-Jun Import U.S.	48	48	0	0	0	0
TOTAL SUPPLY	48929	48929	57329	57339	40229	42539
TOTAL Mkt. Yr. Exports	4372	4372	13000	13000	3500	4000
Jul-Jun Exports	4372	4372	13000	13000	3500	3000
Feed Dom. Consumption	14000	14000	16000	16000	12500	13150
TOTAL Dom. Consumption	38078	38078	39100	39800	35500	37200
Ending Stocks	6479	6479	5229	4539	1229	1339
TOTAL DISTRIBUTION	48929	48929	57329	57339	40229	42539

MY trade data in the PSD includes trade in wheat flour. In MY 2002 Russia exported 300,000 metric tons of wheat flour (in grain equivalent), mostly to Mongolia, Ukraine and Georgia. The table below gives the official State Customs Statistical data on wheat exports by countries (flour is not included) in MY 2000 through MY 2002. Sources report that verified exports of wheat fin MY 2002 almost reached 14.3 mmt. Post estimate of MY exports in the PSD is not changed – 13.0 mmt.

Table 3. Wheat Exports, by Country, Marketing Years, Metric Tons

		MY 2000/2001	MY 2001/2002	MY 2002/2003
0	--The World--	408 617	4 243 339	12 305 714
1	Italy	0	947 691	1 757 622
2	Egypt	0	335 901	1 692 266
3	Algeria	0	398 417	1 009 291
4	Greece	2 700	513 538	826 299
5	Spain	0	30 248	686 725
6	Israel	123 123	224 545	612 768
7	Morocco	0	255 740	579 571
8	Turkey	2 168	439 275	527 568
9	Syria	0	0	466 644
10	Ukraine	73 479	12 444	443 176
11	Georgia	26 740	339 153	336 030
12	Lebanon	0	95 460	268 495

13	Korea, South	0	0	239 787
14	Azerbaijan	167 420	230 083	208 255
15	Iran	0	2 975	190 424
16	Albania	0	84 595	175 517
17	Tunisia	0	94 895	146 350
18	Iraq	0	0	143 868
19	Estonia	0	9 900	139 420
20	Saudi Arabia	0	1 368	139 289
21	Denmark	0	5 481	135 505
22	Austria	0	27 597	105 298
23	Peru	0	0	104 775
24	Libya	0	0	100 050
25	Jordan	0	0	91 523
26	Kenya	0	0	91 500
27	Cyprus	0	8 838	82 199
28	Latvia	10	0	80 354
29	Germany	0	12 104	72 088
30	Lithuania	0	0	71 496
31	France	0	0	71 335
32	Netherlands	0	0	61 814
33	Belgium	0	0	59 447
34	Mongolia	1 989	51 986	57 411
35	Indonesia	0	0	51 053
36	Finland	0	3 999	40 256
37	Nigeria	0	0	40 000
38	Portugal	0	0	39 380
39	Sweden	0	0	34 128
40	Sudan	0	15 000	31 165
41	Eritrea	0	0	29 296
42	South Africa	0	0	28 646
43	Vietnam	0	0	26 803
44	United Kingdom	0	0	25 712
45	Poland	0	10 881	25 575
46	Romania	0	0	22 225
47	Country Unknown	0	212	19 428
48	Armenia	6 513	20 635	15 118
49	Ireland	0	31 483	9 814
50	Congo	0	9 050	9 812
51	Moldova	0	0	9 703
52	Kazakhstan	2 520	787	9 656
53	Switzerland	0	0	9 440
54	Tajikistan	750	3 892	8 653
55	Malta	0	12 061	6 367
56	United States	0	0	5 838
57	Norway	0	0	5 387
58	Brazil	0	0	5 002
59	Afghanistan	0	0	5 000

60	Yugoslavia	0	0	3 920
61	Canada	0	0	3 629
62	Virgin Islands (British)	0	0	2 960
63	Mexico	0	0	2 234
64	Bahamas	0	0	1 825
65	Uzbekistan	1 206	1 500	1 200
66	Korea, North	0	0	1 070
67	Monaco	0	0	572
68	Gibraltar	0	0	551
69	Hungary	0	5 002	137
70	Benin	0	6 600	0

Source: Russian State Customs data

Table 3. Wheat Imports, by Country, Marketing Years, Metric Tons

		MY 2000/2001	MY 2001/2002	MY 2002/20037
0	--The World--	1 507 380	420 245	337 329
1	Kazakhstan	1 276 655	386 998	325 275
2	Lithuania	39 907	15 186	7 326
3	Russia	1 100	200	2 276
4	Country Unknown	1 504	466	1 751
5	Latvia	5 955	0	594
6	Germany	9 036	199	44
7	Austria	20	0	40
8	Sweden	17 798	6 120	18
9	Ukraine	69	44	5
10	Tajikistan	996	0	0
11	Turkey	0	5	0
12	United States	75 004	10 901	0
13	Yugoslavia	43 391	0	0
14	Unknown	29 666	0	0
15	Poland	0	124	0
16	China	4 001	0	0
17	Denmark	1 188	0	0
18	Estonia	1 013	0	0
19	Finland	10	0	0
20	Kyrgyzstan	66	0	0

Source: Russian State Customs data

Barley

Table 4. PSD, Barley, Thousand Hectares, Thousand Metric Tons

PSD Table						
Country	Russian Federation					
Commodity	Barley				(1000 HA)(1000 MT)	
	2001	Revised	2002	Estimate	2003	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		07/2001		07/2002		07/2003
Area Harvested	10200	10200	10250	10250	10500	10500
Beginning Stocks	1529	1529	4387	4387	4537	3267
Production	19500	19500	18700	18700	15500	15800
TOTAL Mkt. Yr. Imports	201	201	150	180	200	300
Oct-Sep Imports	192	192	150	180	200	300
Oct-Sep Import U.S.	0	0	0	0	0	0
TOTAL SUPPLY	21230	21230	23237	23267	20237	19367
TOTAL Mkt. Yr. Exports	2593	2593	3200	3500	2000	2000
Oct-Sep Exports	2664	2664	3200	3500	2000	2000
Feed Dom. Consumption	9850	9850	10700	12500	12700	12300
TOTAL Dom. Consumption	14250	14250	15500	16500	17500	16630
Ending Stocks	4387	4387	4537	3267	737	737
TOTAL DISTRIBUTION	21230	21230	23237	23267	20237	19367

Table 5. Barley Exports, by Country, Marketing Years, Metric Tons

		MY 2000/01	MY 20001/02	MY 2002/03
0	--The World--	573 483	2 592 722	3 132 157
1	Saudi Arabia	66 320	945 676	1 404 845
2	Israel	165 191	183 951	265 669
3	Ukraine	228	54 618	236 988
4	Greece	0	176 828	208 110
5	Italy	0	184 265	192 131
6	Cyprus	49 294	158 266	187 440
7	Algeria	34 475	146 667	95 316
8	Morocco	0	104 519	84 289
9	Libya	2 702	124 987	82 750
10	Syria	90 932	40 454	74 633
11	Lebanon	15 615	28 387	52 669
12	Estonia	0	55 600	45 081
13	Tunisia	0	119 917	27 055
14	Romania	0	0	26 938
15	Spain	0	10 768	25 350
16	Croatia	0	0	21 420
17	Malta	6 510	44 443	20 619

18	Denmark	0	19 468	14 850
19	Latvia	0	811	13 551
20	Lithuania	0	0	9 674
21	Egypt	3 001	614	8 925
22	Poland	0	0	5 816
23	Germany	0	0	5 459
24	Netherlands	0	12 091	3 474
25	Gibraltar	0	0	3 407
26	Azerbaijan	40	90	3 015
27	Slovenia	0	0	2 960
28	Kazakhstan	11 309	8 384	2 816
29	Belgium	0	0	2 758
30	Country Unknown	0	769	1 320
31	Austria	0	6 727	735
32	Tajikistan	0	150	628
33	United States	0	2	479
34	Moldova	0	0	422
35	Mongolia	118	0	384
36	Armenia	8 000	0	180

Source: State Customs