

**Required Report:** Required - Public Distribution

**Date:** November 01,2019

**Report Number:** RS2019-0015

## **Report Name:** Grain and Feed Update

**Country:** Russian Federation

**Post:** Moscow

**Report Category:** Grain and Feed

**Prepared By:**

**Approved By:** Deanna Ayala

### **Report Highlights:**

Russia's grain crop in MY19/20 will be abundant, particularly for barley and corn. FAS Moscow decreased its 2019/20 total wheat production forecast by five million metric tons (MMT) to 74 MMT reflecting official and unofficial data from the Russian Government and industry experts following initial results of the 2019 harvest. Dryness in some areas versus too much rain in others have reduced expected yields. However, overall grain production is expected to be higher than MY18/19. Recent publications by the Russian Government show an increase in quality of milling wheat based on protein and gluten content. The recent opening of the Saudi Arabia market for Russian wheat could modestly expand Russia's already large market share in the Middle East and North Africa.

## **Commodities**

Wheat, Corn, Rye, Millet, Barley, Rice

### **General Information:**

*NOTE: USDA unofficial data excludes Crimean production and exports. However, as of June 2014, Russian official statistics (ROSSTAT) began incorporating Crimean production and trade data into their official estimates. Where possible, data reported by FAS Moscow is exclusive of information attributable to Crimea.*

### **Executive Summary**

Russia's grain crop in MY19/20 will be abundant, particularly for barley and corn. FAS Moscow decreased its 2019/20 total wheat production forecast by five million metric tons (MMT) to 74 MMT reflecting official and unofficial data from the Russian Government and industry experts following initial results of the 2019 harvest. Dryness in some areas versus too much rain in others have reduced expected yields. However, overall grain production is expected to be higher than MY18/19. Recent publications by the Russian Government show an increase in quality of milling wheat based on protein and gluten content. The recent opening of the Saudi Arabia market for Russian wheat could modestly expand Russia's already large market share in the Middle East and North Africa.

### **Production 2019**

Russia's wheat production forecast in marketing year (MY) 2019/20 has been lowered from the May forecast following persistent rains across Russia's central and Volga regions, as well as dry conditions in some location in the Ural and Siberia Federal Districts. FAS Moscow forecasts production of 74 MMT of wheat.

This year Russia will see increases in barley and corn production, particularly in the southern part of Russia. Barley was not as affected by the drought that impacted other regions, and the rains in June helped production in the Black Soil and Volga regions. Rosstat data as of the end of August shows total planted area under corn increased by 5.5 percent in 2019. Post's forecast is showing a recovery in area harvested of close to 8% and significant increase in production year-on-year of 14%. Some analysts point out that the increase in barley and corn production this year does not reflect an upward trend in production but rather recovery to the average level after an off year the previous season.

The quality of the wheat crop exceeds the MY18/19 crop and the long-term trend is steadily increasing quality. For example, the Federal Grain Quality Center reports that indexes of protein and gluten are the highest of the last three years. According to the Ministry of Agriculture, the share of food grade wheat (class 1-4) has increased to 84.6 percent against 74 percent in 2018. While feed wheat (5th grade) decreased to 15.4 percent compared with 25.7 percent a year earlier. Grain coming out of Krasnodar is reportedly mostly fourth grade wheat with an average protein level of 12.37%. The best quality could come from the Rostov region. Further, the Federal Grain Quality Center reports that, overall, there is more third class soft wheat this year, in particular in the South of Russia and to a lesser extent in the Center, while in the Volga Valley and Siberia there is less third class wheat.

As for barley, the Grain Quality Center reports that of the two classes of barley, there is more first class barley so far this year. Analysts are estimating 33.1% of the crop is first class and 66.9% is second-class. According to the Russian Grain Union, barley yields exceeded last year and as of October 1, the average yield was 12% higher than in 2018, which, together with an increase in sown area, will lead to an increase in yield of 25%, according to the Union. In the case of rye, the share of fourth-class rye is over 50% this year compared to last year when second-class rye accounted for over 48%. However, overall, this year there is more food-grade rye as compared to previous years.

With respect to corn, some analysts report that yields in the south, e.g. Kuban, Krasnodar, Stavropol, yield was disappointing. However, this was more than made up for by high production in the Black Soil region, e.g. Voronezh Oblast, Lipetsk Oblast, Belgorod Oblast, Tambov Oblast, Oryol Oblast and Kursk Oblast, where yield was estimated at 10 tons/ha (industry sources).

While total area planted to grains in Russia is relatively stable, there has been a noticeable redistribution of acreage planted to the major grains, which will continue. For example, the share of winter crops is increasing, particularly for wheat, which accounts for 91% of all winter crops, crowding out winter rye (Post's area harvested shows a steady decline). Meanwhile, the share of spring crops is falling and spring plantings are becoming more diverse with areas under wheat decreasing, while spring acreage for barley is growing. Analysts point to several factors driving these changes. First, wheat yields have been increasing at a faster rate for winter plantings. This may be connected to the second factor, which is that climatic changes are reportedly making winter-planted wheat more productive. Finally, analysts say that producers are reacting more to market forces in the grains sector and farmers are choosing crops that will bring more income.

In addition, land continues to be consolidated by large landowners with 10,000 + ha. These large players are buying up smaller holders and growing more intensively and skillfully. This is especially true for corn and sunflower production (e.g. in Tambov region). One reason is that soybean and corn production require more capital including technical and chemical inputs as well as specialized knowledge to maximize yield and care for the land. Larger, more corporate farms are able to make those investments and take a longer-term view toward their investments. In addition, many of these large landowners are vertically integrated operations whose feed production goes directly into their own livestock, swine, and dairy or poultry production.

## **Trade**

The major increase in corn exports can be explained in part by the fact that production was concentrated in the key corn-exporting regions of Southern Russia. In addition, domestic demand for livestock feed slowed, as growth in livestock production in 2019 could be the lowest in 10 years due to saturation on the domestic market and the continuing fall in real incomes. As far as corn exports are concerned, Ukraine will again be the main threat to Russian export markets.

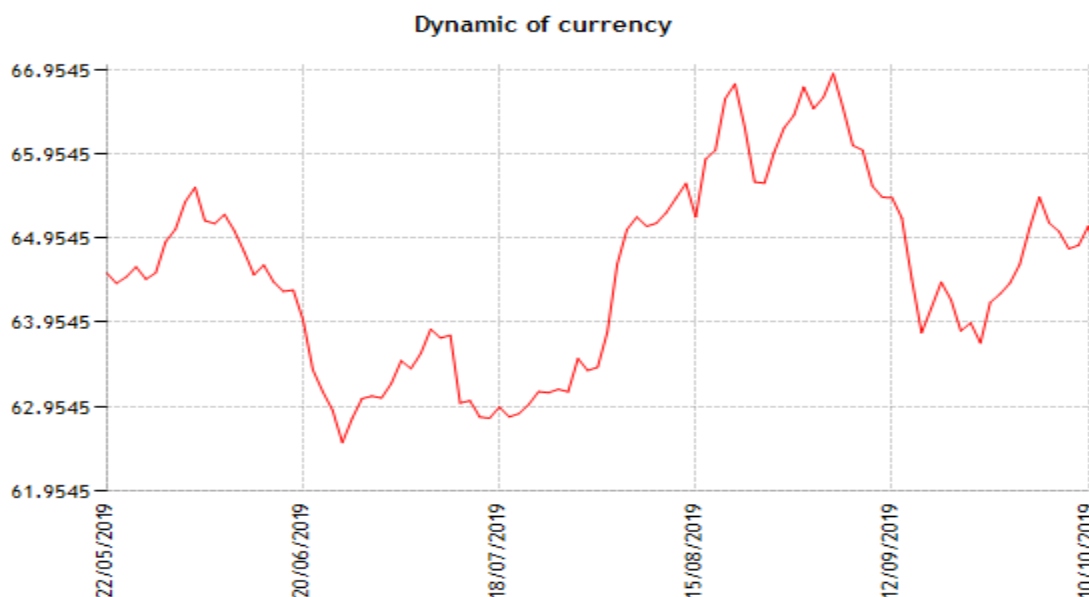
This season, challenges for Russia in wheat export markets come primarily from Ukraine and the EU (most notably France) who have larger crops as well as exports. Further, stronger U.S. wheat exports instead of the anticipated decrease changes the market dynamics. Factors such as a stronger Russian ruble, significant administrative burdens and extremely high logistics costs within Russia – internal

transportation costs for Russian grains are higher than for U.S. and Australian exporters -- also constrain export competitiveness. Industry anticipates that the Russian government will introduce new measures that would contribute to the decrease of administrative burdens as well as decrease transportation costs (please refer to Policy section, below).

The period between August and October is traditionally the most active for Russian grain exports as winter grains are harvested however recent data from the Russian Customs suggest slower than average pace of wheat exports. Russia is actively developing new markets. For example, Saudi Arabia recently opened its market to Russian wheat. Exports could reach about 1 million tons, maximum.

The leading exporters, as of early October 2019, are TD Rif (accounting for 11.3 percent of Russian overall grain exports), Aston (8.4 percent), Mirogroup (8.1 percent), Glencore (8.1 percent), Zerno-Trade (5.1 percent), Cargill (4.8 percent), United Grain Company (4.1 percent), Louis Dreyfus Vostok (3.3 percent), Steppe Agroholding (3.3 percent), and Artis-Agro Export (2.7 percent). Four of the top-10 exporters, including TD Rif, Aston, Glencore, and the United Grain Company, also are the founding members of the recently inaugurated Russian Union of Grain Exports.

**Chart 1. Dynamics of Ruble to U.S. Dollar Exchange Rate 5/22/2019 to 10/10/2019**



Source: Central Bank

## Marketing/Trade

On August 9, 2019 Rosselkhoznadzor (Federal Service for Veterinary and Phytosanitary Surveillance) [reported](#) changes to wheat import requirements into the Kingdom of Saudi Arabia. With the relaxation on commodity specifications, it is expected that Russian companies will be able to participate in the next round of wheat tenders posted by the Government of Saudi Arabia. According to USDA PS&D data, Saudi Arabia imported 2.8 MMT of wheat in MY 2018/2019, slightly below its five-year average of 3.1 MMT. Industry sources estimate that Russia could ship up to .5 MMT of wheat a year to Saudi Arabia.

Russia is already the number one supplier of barley to Saudi Arabia. According to Rosstat, in 2018, barley exports from Russia to Saudi Arabia exceeded 2.1 million tons

As noted above, some industry observers doubt that projected growth in livestock production will be met and thus do not anticipate an increase in feed usage domestically.

This year a new player entered the Russian grain trade sector, VTB Bank, with its acquisition of Mirogroup trading house. VTB is a majority state-owned but commercial bank that also owns port facilities on the Black Sea and a stake of the United Grain Company (the remainder of which is owned by the Russian Government). VTB also has controlling stake in railway freight operator RusTransCom, which specializes in grain shipping. Since the acquisition of Mirogroup, the firm has moved Russia's #7 exporter of grain last season to #3 as of October 2019.

## **Policy**

On August 15, 2019, Russia approved a long-term grain industry development strategy. The strategy aims to strengthen Russia's position as a global grain market producer and supplier by 2035. The strategy highlights priorities of investments in research, production, processing, storage and marketing of grain and grain products.

In particular, according to the strategy, by 2035, Russia will be harvesting on average 140 million tons of grain per year, up 24 percent as compared to the 2018 level. By this time, domestic consumption should reach around 86.2 million tons per year, while exports of grains, legumes and products of their processing should reach 55.9 million tons versus 54.9 million tons of similar exports in 2018.

The strategy envisages around 281 billion rubles (or around \$4.3 billion) of investment into various infrastructure projects, including the building of grain terminals in Russian seaports, and some storage facilities for grain and feed. These investments should improve logistics in the Russian grain and feed industries, according to the document. An additional 3.3 trillion rubles (over \$50 billion) are to be invested in the purchasing of new agricultural equipment, including harvesters and tractors. These are private investments, as the strategy provides no details regarding the planned state aid to Russian grain producers during the coming years. According to news outlets, overall, the 2035 strategy will cost more than 4.4 trillion rubles (or \$70 billion) in funds drawn from private investors, loans and government financing.

Recent reports also suggest that the Ministry of Agriculture of the Russian Federation plans to increase subsidies for the transportation of agricultural products by expanding the list of products, regions and modes of transport as determined by the Government Resolution N 1104. The planned measure will include transportation by water, rail and road from all regions of the Russian Federation, which includes transportation of wheat, barley, and corn. The subsidy program is estimated to increase to 8 billion rubles (approximately \$120 million USD) by 2024.

On July 1st, 2019 the Ministry of Economy announced an extension of the zero wheat rate duty on exports until July 1, 2021.

## Production, Supply and Demand Data

Wheat Market Begin Year	2017/2018		2018/2019		2019/2020	
	Jul 2017		Jul 2018		Jul 2019	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Russia						
Area Harvested	27370	27400	26344	26300	27000	28070
Beginning Stocks	10823	10823	12026	11230	8246	6675
Production	85167	85800	71685	71685	72500	74000
MY Imports	467	326	433	460	475	475
TY Imports	467	326	433	460	475	475
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	96457	96949	84144	83375	81221	81150
MY Exports	41431	41426	35398	35700	34000	34000
TY Exports	41431	41426	35398	35700	34000	34000
Feed and Residual	20000	20700	18000	18500	17000	19600
FSI Consumption	23000	23600	22500	22500	22500	21750
Total Consumption	43000	44300	40500	41000	39500	41350
Ending Stocks	12026	11230	8246	6675	7721	5800
Total Distribution	96457	96956	84144	83375	81221	81150
Yield	3.1117	3.1314	2.7211	2.7257	2.6852	2.6363

(1000 HA) ,(1000 MT) ,(MT/HA)

Barley Market Begin Year	2017/2018		2018/2019		2019/2020	
	Jul 2017		Jul 2018		Jul 2019	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Russia						
Area Harvested	7714	7852	7784	7850	8250	8250
Beginning Stocks	839	839	750	667	640	567
Production	20211	20153	16737	16737	20000	19000
MY Imports	84	50	14	117	50	20
TY Imports	21	50	30	117	50	20
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	21134	21042	17501	17521	20690	19587
MY Exports	5884	5600	4661	4700	5600	4800
TY Exports	5661	5600	4500	4700	5600	4800
Feed and Residual	9900	10200	7800	7854	9300	10000
FSI Consumption	4600	4600	4400	4400	4400	4400
Total Consumption	14500	14800	12200	12254	13700	14400
Ending Stocks	750	667	640	567	1390	387
Total Distribution	21134	21067	17501	17521	20690	19587
Yield	2.62	2.5666	2.1502	2.1321	2.4242	2.303

(1000 HA) ,(1000 MT) ,(MT/HA)

Corn Market Begin Year	2017/2018		2018/2019		2019/2020	
	Oct 2017		Oct 2018		Oct 2019	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Russia						
Area Harvested	2694	2694	2373	2400	2450	2586
Beginning Stocks	779	779	195	438	260	350
Production	13201	13212	11415	11415	13500	13000
MY Imports	47	47	50	25	40	40
TY Imports	47	47	50	25	40	40
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	14027	14038	11660	11878	13800	13390
MY Exports	5532	5500	3000	2878	5200	4040
TY Exports	5532	5500	3000	2878	5200	4040
Feed and Residual	7400	7250	7500	7700	7500	7700
FSI Consumption	900	850	900	950	900	1000
Total Consumption	8300	8100	8400	8650	8400	8700
Ending Stocks	195	438	260	350	200	650
Total Distribution	14027	14038	11660	11878	13800	13390
Yield	4.9001	4.9042	4.8104	4.7563	5.5102	5.0271
(1000 HA) ,(1000 MT) ,(MT/HA)						

Rice, Milled Market Begin Year	2017/2018		2018/2019		2019/2020	
	Jan 2018		Jan 2019		Jan 2020	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Russia						
Area Harvested	186	186	180	185	192	192
Beginning Stocks	118	118	84	94	79	75
Milled Production	642	640	675	675	700	685
Rough Production	988	985	1038	1038	1077	1054
Milling Rate (.9999)	6500	6500	6500	6500	6500	6500
MY Imports	218	218	230	219	230	230
TY Imports	218	218	230	219	230	230
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	978	976	989	988	1009	990
MY Exports	139	138	150	150	140	154
TY Exports	139	138	150	150	140	154
Consumption and Residual	755	744	760	763	770	763
Ending Stocks	84	94	79	75	99	73
Total Distribution	978	976	989	988	1009	990
Yield (Rough)	5.3118	5.2957	5.7667	5.6108	5.6094	5.4896
(1000 HA) ,(1000 MT) ,(MT/HA)						

Oats Market Begin Year	2017/2018		2018/2019		2019/2020	
	Jul 2017		Jul 2018		Jul 2019	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Russia						
Area Harvested	2780	2775	2725	2750	2400	2612
Beginning Stocks	147	147	167	161	63	82
Production	5448	5441	4715	4720	4300	4805
MY Imports	0	0	0	1	0	3
TY Imports	0	0	0	1	0	3
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	5595	5588	4882	4882	4363	4890
MY Exports	28	27	119	100	90	70
TY Exports	34	27	125	100	90	70
Feed and Residual	3800	3800	3200	3200	2700	3150
FSI Consumption	1600	1600	1500	1500	1500	1500
Total Consumption	5400	5400	4700	4700	4200	4650
Ending Stocks	167	161	63	82	73	170
Total Distribution	5595	5588	4882	4882	4363	4890
Yield	1.9597	1.9607	1.7303	1.7164	1.7917	1.8396

(1000 HA) ,(1000 MT) ,(MT/HA)

Rye Market Begin Year	2017/2018		2018/2019		2019/2020	
	Jul 2017		Jul 2018		Jul 2019	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Russia						
Area Harvested	1171	1172	957	978	825	872
Beginning Stocks	291	291	260	264	141	99
Production	2540	2544	1914	1915	1600	1695
MY Imports	0	0	0	1	0	40
TY Imports	0	0	0	3	0	40
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	2831	2835	2174	2180	1741	1834
MY Exports	71	71	283	298	25	5
TY Exports	152	152	200	250	25	5
Feed and Residual	400	400	150	183	100	200
FSI Consumption	2100	2100	1600	1600	1500	1500
Total Consumption	2500	2500	1750	1783	1600	1700
Ending Stocks	260	264	141	99	116	129
Total Distribution	2831	2835	2174	2180	1741	1834
Yield	2.1691	2.1706	2	1.9581	1.9394	1.9438

(1000 HA) ,(1000 MT) ,(MT/HA)



Millet Market Begin Year Russia	2017/2018		2018/2019		2019/2020	
	Jul 2017		Jul 2018		Jul 2019	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	235	245	187	250	350	350
Beginning Stocks	0	0	0	0	0	0
Production	315	316	217	217	475	400
MY Imports	0	0	0	1	0	1
TY Imports	0	0	0	0	0	0
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	315	316	217	218	475	401
MY Exports	0	80	0	11	0	15
TY Exports	0	80	0	10	0	15
Feed and Residual	65	56	50	50	225	136
FSI Consumption	250	180	167	157	250	250
Total Consumption	315	236	217	207	475	386
Ending Stocks	0	0	0	0	0	0
Total Distribution	315	316	217	218	475	401
Yield	1.3404	1.2898	1.1604	0.868	1.3571	1.1429

(1000 HA) ,(1000 MT) ,(MT/HA)

**Attachments:**

No Attachments