USDA Foreign Agricultural Service
GAIN Report
Global Agriculture Information Network

Template Version 2.09

Voluntary Report - Public distribution

Date: 12/28/2007

GAIN Report Number: RS7095

Russian Federation

Grain and Feed

January 2008 Monthly Update

2007

Approved by:
Allan Mustard
American Embassy

Prepared by:
Yelena Vassilieva

Report Highlights:
Grain production estimate for Russia is raised by 550,000 metric tons to 80.95 million metric tons (mmt) due to increased production estimate for non-reported crops, especially rye. The wheat production estimate is 48.2 mmt, barley - 16.5. mmt, and corn - 3.9 mmt. Grain exports for June-December have reached 11.7 - 11.8 mmt, and the MY grain export forecast has been raised to 13.3 mmt, including 12.0 mmt of wheat and wheat flour, 1.05 mmt of barley, and 0.25 mmt of corn and rye. An export ban or prohibitive export tariff on wheat is expected to be imposed from the end of January through March 2008.

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

Table of Contents

Executive Summary

The January 2008 estimate of 2007 grain production for Russia is 80.95 million metric tons (mmt), up 3 percent from last year's crop. The estimate has been raised from the December update by 0.55 mmt due to increased production estimates of unreported crops, especially rye. The wheat production estimate is lowered from 48.3 mmt to 48.2 mmt, while the corn production estimate is raised by 0.1 mmt to 3.9 mmt. The barley production estimate remains unchanged at 16.5 mmt.

Domestic milling wheat prices in European Russia increased slightly in December due to activation of flour mills' procurements before the January "dead season", and due to traders' intentions to cover export contracts before an anticipated January ban on wheat exports. Meantime, in Siberia milling wheat prices were slowly falling. Feed wheat prices were increasing all over Russia reflecting the growing demand for feeds. However, in December domestic trade in grain was not active. Experts believe that producers have already sold enough grain to cover expenses and are waiting for further price increases toward the end of winter and in Spring 2008.

The total MY 2007 grain export estimate is raised from 12.7 mmt to 13.3 mmt, including 12.0 mmt of wheat, 1,050 mmt of barley, 100,000 metric tons of corn, and 150,000 metric tons of rye. From June through November 2007 Russia exported 10.2 mmt tons of grain, including 9.1 mmt of wheat and wheat flour in grain equivalent, almost 1.0 mmt of barley, and 0.1 mmt of rye. December's grain export is estimated at 1.6 mmt. In spite of Russia's January holidays and winter-related logistical problems, by the end of January total exports may reach 12.5 – 13.0 mmt, followed by a ban or prohibitive export tariffs on grain until April 2008. Given that Kazakhstan may limit its wheat exports, the total Russian grain import estimate is lowered from 2.0 mmt to 1.88 mmt.

In December the Russian Government approved a list of "Essential Commodities Subject to Potential Export Ban."[1] Wheat and meslin, rye, barley, corn, and wheat and meslin flour may be banned by decision of the government in "exceptional instances". The major Russian grain exporters are certain that either a ban or a prohibitive export tariff on wheat will be introduced by the Russian Government near the end of January until April or May 2008.

Grain interventions continued in December. A total of 449,557 metric tons of grain (31 percent of the intervention fund) was sold from October 29 through December 26, 2007. As was reported[2], interventions function as a targeted subsidy for local flour mills and will not influence grain market prices due to the limited consumer effect.

The 2007 Crop

Russian Minister of Agriculture Aleksey Gordeyev reported in December that 2007 grain crop is 81.5 million metric tons (mmt), the best crop in the last 5 years. According to the Russian State Statistical Service (Rosstat), in 2007 Russia harvested 86.3 mmt of grain (in bunker weight), up 4.1 percent from last year, including agricultural organizations, which harvested 67.7 mmt; private (peasant) farms, 17.6 mmt; and small households, 1.0 mmt. Rosstat points out that the share of private (peasant) farms and individual households in the production of major agricultural crops increased over last year's level. Rosstat's estimate of

[1] GAIN RS7094 *List of Essential Commodities Subject to Potential Export Ban*
[2] GAIN RS7086 *December Monthly Update*

clean-weight grain crop is preliminarily pegged at 81.4 mmt[3]. Official final data on production of grain, including by different types of grain, will be available in February, 2008.

Post raised the total grain crop production estimate from 80.4 mmt to 80.95 mmt, due to increased estimates of production of rye, oats, and small grain crops. A good rye crop is reported by experts, and that contention is supported by growing exports of rye. The wheat production estimate is adjusted from 48.3 mmt to 48.2 mmt, and the corn production estimate in raised by 0.1 mmt to 3.9 mmt. The barley production estimate remains 16.5 mmt.

According to Minister Gordeyev, winter grain planting is up 2 million hectares, or 15 percent, over last year. The Russian Hydrometeorological Service reports that in both the European and the Asiatic parts of Russia conditions for winter grain survival (snow coverage and air temperatures) have been good so far.

Trade

On December 19, 2008, Agricultural Minister Gordeyev informed foreign diplomats in Moscow that a planned cutoff of grain exports, which will come no later than February 1, 2008, will be a "corrective action" that might be lifted as early as April 2008, if winter grains overwinter well. According to Gordeyev, grain exports may be limited when they reach 12.5-13.0 mmt (on a MY 2007 basis).

According to SovEcon, from June through November 2007 Russia exported 10.2 mmt tons of grain, including 8.88 mmt of wheat, 181,000 metric tons of grain equivalent of wheat flour, almost 1.0 mmt of barley, and 0.91 mmt of rye. Wheat exports in July-November 2007 already exceeded total volume of wheat exports in MY 2006. Almost 30 percent of wheat was exported to Egypt. Other big importers of Russian wheat were Libya, Italy, India, Turkey, and Tunisia (more than 400,000 metric tons each).

Starting in October 2007 Russia began increasing exports of wheat flour, and for the June – November period exported 129,000 metric tons of flour (an equivalent of 181,000 metric tons of grain) or 78 percent of total MY 2006 flour exports. Most flour is shipped to the FSU countries, primarily to Tajikistan and Georgia.

Barley exports in November were 236,000 metric tons, 68,000 metric tons less than in October, and these were closing shipment of barley on contracts agreed upon before the prohibitive export tariff on barley (30 percent *ad valorem*, but not less than 70 Euro per metric ton) was introduced on November 12, 2007. Main recipients of Russian barley in June –November were Saudi Arabia (375,000 metric tons), Jordan (248,000 metric tons) and Tunisia (108,000 metric tons).

In December export of grain (primarily wheat) is estimated at 1.5-1.6 mmt[4]. Corn exports in October – November 2007 (marketing year for corn begins in October) were 13,000 mt. In spite of Russia's January holidays and winter-related logistical problems, total exports may reach the government-imposed ceiling of 12.5 – 13.0 mmt by mid- to late January 2008. Grain traders and experts forecast that either a ban on exports or a prohibitive export tariff may be imposed by no later than mid-January 2008, and will last through February and March 2008.

[3] Rosstat data on completion of harvest are on the web-site: http://www.gks.ru/bgd/free/B04_03/IssWWW.exe/Stg/d030/i030910r.htm
[4] Source: SovEcon's weekly reports

Post increases the total MY 2007 grain export estimate from 12.7 mmt to 13.3 mmt, including 12.0 mmt of wheat, 1,050 mmt of barley, 100,000 metric tons of corn, and 150,000 metric tons of rye.

Given that Kazakhstan may limit its wheat exports, the total Russian grain import estimate is lowered from 2.0 mmt to 1.88 mmt, including 1.3 mmt of wheat from Kazakhstan, 250,000 metric tons of barley, 150,000 metric tons of corn, and 180,000 metric tons of rice.

Prices

Domestic milling wheat prices in European Russia increased slightly in December due to activation of flour mills procurements before the January's "dead season", and due to traders' intentions to cover export contracts before the expected ban on wheat exports in February 2008. Thus, in European Russia the average class 3 wheat price increased from mid-November to mid-December by less than 0.15 percent to 6,250 rubles/mt,[5] and the average price of class 4 wheat increased by 0.5 percent to 6,055 rubles/mt. In Siberia, class 3 wheat prices even decreased from 5,800 to 5,730 rubles/mt, and class 4 wheat prices decreased from 5,280 to 5,270 rubles/mt.

Feed wheat prices rose all over Russia reflecting the growing demand for feed, and in mid-December varied from 5,730 rubles/mt in Siberia to 6,130 rubles/mt in the Northern Caucasus. In the major metropolitan areas (Moscow and Leningrad Oblasts) with high concentrations of poultry farms, the average price of feed wheat reached 6,450 rubles/mt, a one-percent increase from mid-November.[6] However, experts have not noticed a significant increase in activity of the domestic grain market in December, and suspect that grain producers have already sold enough grain to cover expenses, allowing them to wait for further price increases toward the end of winter and in Spring 2008.

Changes in the domestic prices of grain and grain products in January and February 2008 will drive short-term administrative decisions on grain market regulation, including imposition of an export ban and its timing, form of implementation, and duration, as well as grain intervention activities, and possible extension of voluntary food processors-retailers' agreements on retail price control. It is thus likely that prices will remain stable pending a lifting of the presumed export ban next spring, after which price movements will depend primarily on the outlook for the 2008 crop.

Policy

In December the Russian Government approved the list of "Essential Commodities Subject to Potential Export Ban."[7] Wheat and meslin, rye, barley, corn, and wheat and meslin flour may be banned by decision of the government in "exceptional instances". It is not clear whether a ban or an increase of export duties to a prohibitive level will be used by the Russian Government to stop grain exports, but Russian grain exporters are certain that grain exports, upon reaching 12.5 – 13.0 mmt, will be stopped until April-May 2008.

According to media reports, exporters favor an outright ban, which would allow them to invoke *force majeure* clauses if some export contracts are still pending, while an increase in

[5] Rubles to $US exchange rate has been changing from 24.49 rubles per $1 on November 15, 2007 to 24.36 rubles per $1 on November 29, 2007, and to 24.73 rubles per $1 on December 19, 2007, and 24.54 rubles per $1 on December 28, 2007
[6] Source: WJ InterAgro's weekly reports
[7] GAIN RS7094 *List of Essential Commodities Subject to Potential Export Ban*

export duty would require performance on contracts, even if the exporter should be forced to absorb a loss.

Grain interventions continued in December 2007. A total of 449,557 metric tons of grain (31 percent of the intervention fund) was sold from October 29 through December 26, 2007, including 417,637 metric tons of class 3 and 31,920 metric tons of class 4 wheat. The average price of class 3 wheat was 5,106 rubles/mt, and the average price of class 4 wheat was 4,749 rubles/mt. As was reported,[8] interventions function as a targeted subsidy for local flour mills and will not influence grain market prices due to the limited consumer effect. Moreover, some millers have complained that the actual delivery of purchased grain is delayed, and that the authorized elevators are interested in storing grain as long as possible, because the storage costs are charged to millers who purchased grain, and that authorized elevators often charge more than commercial alternatives. The cost of handling and shipping grain from these elevators is also higher than commercial rates.

In addition, grain railroad tariffs will increase in January 2008 by 11 percent in accordance with the scheduled increase of railway tariffs, and millers calculate that in January – February 2008 the cost of "cheap" wheat that they purchased in course of grain interventions in October – December 2007 will be higher than if they had purchased wheat on the commercial market in November.

PSD Tables

Wheat

PSD Table										
Country	Russian Federation									
Commodity	Wheat						(1000 HA)(1000 MT)(MT/HA)			
	2005 Revised			2006 Estimate			2007 Forecast			UOM
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	
Market Year Begin		07/2005	07/2005		07/2006	07/2006		07/2007	07/2007	MM/YYYY
Area Harvested	25400	25400	25400	23700	23700	23700	24500	24500	24500	(1000 HA)
Beginning Stocks	3891	3891	3891	3809	3809	3809	2380	2380	2380	(1000 MT)
Production	47700	47700	47700	44900	44900	44900	48000	48300	48200	(1000 MT)
MY Imports	1282	1282	1282	861	861	861	1000	1400	1300	(1000 MT)
TY Imports	1282	1282	1282	861	861	861	1000	1400	1300	(1000 MT)
TY Imp. from U.S.	4	4	4	0	0	0	0	0	0	(1000 MT)
Total Supply	52873	52873	52873	49570	49570	49570	51380	52080	51880	(1000 MT)
MY Exports	10664	10664	10664	10790	10790	10790	12000	11500	12000	(1000 MT)
TY Exports	10664	10664	10664	10790	10790	10790	12000	11500	12000	(1000 MT)
Feed Consumption	14900	14900	14900	14100	14100	14100	14900	15000	14600	(1000 MT)
FSI Consumption	23500	23500	23500	22300	22300	22300	22300	23400	23100	(1000 MT)
Total Consumption	38400	38400	38400	36400	36400	36400	37200	38400	37700	(1000 MT)
Ending Stocks	3809	3809	3809	2380	2380	2380	2180	2180	2180	(1000 MT)
Total Distribution	52873	52873	52873	49570	49570	49570	51380	52080	51880	(1000 MT)
Yield	1.88	1.88	1.88	1.89	1.89	1.89	1.96	1.97	1.97	(MT/HA)

[8] GAIN RS7086 *December Monthly Update*; GAIN RS 7075 *Grain Interventions Announced*

Barley

PSD Table										
Country	Russian Federation									
Commodity	Barley						(1000 HA)(1000 MT)(MT/HA)			
	2005 Revised			2006 Estimate			2007 Forecast			UOM
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	
Market Year Begin		07/2005	07/2005		07/2006	07/2006		07/2007	07/2007	MM/YYYY
Area Harvested	9150	9150	9150	10000	10000	10000	9800	9800	9800	(1000 HA)
Beginning Stocks	2110	2110	2110	873	873	873	1226	1226	1226	(1000 MT)
Production	15800	15800	15800	18100	18100	18100	16500	16500	16500	(1000 MT)
MY Imports	189	189	189	200	200	200	200	200	250	(1000 MT)
TY Imports	188	188	188	200	200	200	200	200	250	(1000 MT)
TY Imp. from U.S.	0	0	0	0	0	0	0	0	0	(1000 MT)
Total Supply	18099	18099	18099	19173	19173	19173	17926	17926	17976	(1000 MT)
MY Exports	1726	1726	1726	1547	1547	1547	1000	1050	1050	(1000 MT)
TY Exports	1397	1397	1397	1700	2000	1700	1000	1050	1050	(1000 MT)
Feed Consumption	10900	10900	10900	11800	11800	11800	11600	11600	11600	(1000 MT)
FSI Consumption	4600	4600	4600	4600	4600	4600	4600	4550	4600	(1000 MT)
Total Consumption	15500	15500	15500	16400	16400	16400	16200	16150	16200	(1000 MT)
Ending Stocks	873	873	873	1226	1226	1226	726	726	726	(1000 MT)
Total Distribution	18099	18099	18099	19173	19173	19173	17926	17926	17976	(1000 MT)
Yield	1.73	1.73	1.73	1.81	1.81	1.81	1.68	1.68	1.68	(MT/HA)

Corn

PSD Table										
Country	Russian Federation									
Commodity	Corn						(1000 HA)(1000 MT)(MT/HA)			
	2005 Revised			2006 Estimate			2007 Forecast			UOM
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	
Market Year Begin		10/2005	10/2005		10/2006	10/2006		10/2007	10/2007	MM/YYYY
Area Harvested	850	850	850	1000	1000	1000	1300	1400	1400	(1000 HA)
Beginning Stocks	241	241	241	144	144	144	194	194	194	(1000 MT)
Production	3200	3200	3200	3600	3600	3600	3800	3800	3900	(1000 MT)
MY Imports	306	306	306	150	150	150	200	200	150	(1000 MT)
TY Imports	306	306	306	150	150	150	200	200	150	(1000 MT)
TY Imp. from U.S.	15	15	15	9	0	9	0	0	0	(1000 MT)
Total Supply	3747	3747	3747	3894	3894	3894	4194	4194	4244	(1000 MT)
MY Exports	53	53	53	100	100	100	50	50	100	(1000 MT)
TY Exports	53	53	53	100	100	100	50	50	100	(1000 MT)
Feed Consumption	3000	3000	3000	3100	3100	3100	3350	3350	3350	(1000 MT)
FSI Consumption	550	550	550	500	500	500	600	600	600	(1000 MT)
Total Consumption	3550	3550	3550	3600	3600	3600	3950	3950	3950	(1000 MT)
Ending Stocks	144	144	144	194	194	194	194	194	194	(1000 MT)
Total Distribution	3747	3747	3747	3894	3894	3894	4194	4194	4244	(1000 MT)
Yield	3.76	3.76	3.76	3.6	3.6	3.6	2.92	2.71	2.79	(MT/HA)

Relevant Reports

RS7094 Trade Policy Monitoring / List of Essential Commodities Subject to Potential Export Ban
http://www.fas.usda.gov/gainfiles/200712/146293328.doc

RS7086 Grain and Feed / December Monthly Update
http://www.fas.usda.gov/gainfiles/200711/146293138.doc

RS7075 Grain and Feed / Grain Interventions Announced
http://www.fas.usda.gov/gainfiles/200710/146292770.doc

RS7070 Grain and Feed / Russian Government Resolution on Temporary Export Duties on Wheat and Barley
http://www.fas.usda.gov/gainfiles/200710/146292739.doc