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Grain and Feed

July Monthly Update

2008

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Report Highlights:
Russia completed sowing by June 17, 2008. Spring grains are sown on 31.0 million hectares, including 1.8 million hectares of corn for grain and 160,000 hectares of rice. Winter grain area is 15.3 million hectares, 2.1 million hectares more than last year. Total grain area is thus estimated at more than 2 million hectares greater than last year. The winter grain harvest is underway. New crop wheat prices are expected to be in the 5,000- to 6,000-ruble-per-ton range at the farmgate, implying export prices in excess of $300 per ton.

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

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Executive Summary

Russia completed sowing by June 17, 2008. Spring grains are sown on 31.0 million hectares, including 1.8 million hectares of corn for grain and 160,000 hectares of rice. Winter grain area after winterkill is discounted is officially estimated at15.3 million hectares, 2.1 million hectares more than last year. Total grain area is estimated at 2 million hectares more than last year. The winter grain harvest is underway. New crop wheat prices are expected to be in the 5,000- to 6,000-ruble-per-ton range at the farmgate, implying export prices in excess of $300 per ton.

Production

The Russian Ministry of Agriculture has pegged the lower boundary of grain and pulse production in 2008 at 85 mmt, based on expanded area and excellent growing conditions to date, especially in the Southern Federal District. Favorable rains there in mid-June relieved incipient drought and recharged soil moisture reserves, preserving yield potential for spring crops. In addition, the Ministry of Agriculture reported that mineral fertilizer application is up by 11% in 2008 over year-earlier levels.

SovEcon currently forecasts a grain and pulse outturn of 86 mmt, including 52 mmt of wheat. ProZerno (formerly known as WJ Interagro) pegs the 2008 grain and pulse crop at 88.872 mmt, including 52.371 mmt of wheat and 5.388 mmt of corn.

2008 Sowing Completed

According to Russia's Ministry of Agriculture, Russian farmers completed grain sowing by June 17, 2008. Spring grains and pulses have been sown on 31.0 million hectares, including 1.8 million hectares of corn for grain, or 150,000 hectares more than last year. Rice was sown on 160,000 hectares. Winter grain area, with winterkill discounted, is 15.3 million hectares, or 2.1 million hectares more than the final winter grain area in 2007. Total grain area is thus estimated to be more than 2 million hectares greater than last year.

The additional corn area is largely in areas not traditionally seeded to corn, and thus yields in these areas will tend to be lower than in the traditional corn for grain areas of Krasnodar Kray.

2008 Harvest Underway

Test harvesting of winter barley began June 20. As of June 24, 2008, 17,600 hectares of grains and pulses had been harvested in the Southern Federal District. Production on this area was 73,300 mt of grain for an average yield of 4.18 mt/ha. Stormy weather in the south of Russia is impeding the harvest and resulting in lodging.

Of this total, 12,000 hectares of winter barley was combined in Krasnodar Kray, average yield on which was 4.87 mt/ha. The winter wheat harvest in Krasnodar Kray is expected to get underway July 1. In Stavropol Kray 1,000 hectares had been harvested for 3,500 mt of grain for an average yield of 3.5 mt/ha. Other provinces in which harvesting has begun are Adygeya Republic, Dagestan, Northern Ossetia, and Chechnya.

The good yields of winter grains and expansion of total grain area have led the Ministry of Agriculture to predict a minimum grain outturn of 85 mmt.

Locust and Grasshopper Infestations

Locusts and grasshoppers have appeared in European Russia as well as Buryatia and Chita Oblast in Asiatic Russia, resulting in application of insecticides on 152,700 hectares in the Southern Federal District and 18,500 hectares in Asiatic Russia, at a cost of 21.5 million rubles (approximately $910,000).

Early in June, locust larvae were discovered on 22,500 hectares in 6 rayons of Stavropol Kray (Apanasenkovskiy, Arzgirskiy, Budenovskiy, Levokumskiy, Neftekumskiy, and Turkmenskiy). At about the same time, locusts and locust larvae were found on 11,600 hectares in 3 rayons of Kabardino-Balkaria, 10,000 hectares in Volgograd Oblast, 10,400 hectares in in 22 rayons of Dagestan, 17,200 hectares in Orenburg Oblast, 10,000 hectares in Buryatia, 8,500 hectares in Chita Oblast, 6,500 hectares in 5 rayons of in Kalmykia, 1,500 hectares of Adygeya, and 800 hectares in Krasnodar Kray, leading to treatment with insecticides. A seventh rayon of Stavropol Kray, Petrovskiy, was found to be affected three weeks later, increasing the area treated in Stavropol Kray to 36,000 hectares. In 7 rayons of the Chechen Republic, locusts had damaged 65,000 hectares as of June 25, and had been found on 85,000 hectares. Astrakhan Oblast has also been affected, but no area figures for that province were published.

Trade

According to Russian officials, no new grain export barriers are intended or foreseen for the new marketing year. The new marketing year's grain export forecast remains at about 15 mmt.

Control of agricultural tariff policy, including export tariffs on grain, appears to be a source of contention among the Ministry of Agriculture, Ministry of Economic Development, and Ministry of Industry and Trade (see GAIN report RS8047). In May, the Ministry of Agriculture was assigned this responsibility as part of the government reorganization following election of President Dmitriy Medvedev. As of June 12, however, responsibility for tariff regulation reverted from the Ministry of Agriculture to the Ministry of Economic Development, but only provisionally, pending a final decision by the Russian government that is expected in August.

Grain Interventions

Deputy Minister of Agriculture Aleksandr Kozlov advised early in June that grain prices may be high enough this season that grain purchase interventions to support prices will not be necessary. Minister of Agriculture Gordeyev had previously stated that the threshold price for grain interventions would be 5,000 to 5,100 rubles per ton (about $212-$216 per ton) but the season average price for new crop wheat is expected to be over 6,000 rubles per ton ($254 per ton).

Kozlov also announced, however, that the government may buy 2 mmt of feed grain on top of the 5 mmt of milling wheat expected to be purchased for state-held reserves.

Grain Prices

With the harvest just getting underway, producers are anticipating nearby spot farmgate prices for new crop winter wheat at or only slightly above the cost of production, in the 5,000 to 6,000 ruble per ton ($212 to $254) range. Given the rapid rise of prices for agricultural inputs, particularly motor fuels, fertilizer and plant protectants, producers who have not shifted to minimum till could face a price squeeze. Those producers who used last year's windfall profits to invest in upgraded production technology, however, should not face this problem.

Grain traders anticipate starting export prices FOB Novorossiysk to be farmgate plus drying, cartage, elevation, and government inspection and certification fees. Cartage averages 7% of the value of grain shipped and the average distance railed is 1,500 kilometers; inspection and certification costs $25 to $30 per ton. This implies the price of new crop wheat FOB Novorossiysk, inclusive of handling and other charges, will be something over $300 per metric ton.

In the meantime, old crop Class 3 wheat continues to sell for about 8,000 rubles per ton, though prices have softened in the last month. The weighted average price for central Russia fell from over 8,500 rubles on May 30 to just under 8,100 rubles per ton as of June 20, and to just under 8,000 rubles per ton as of June 26 as demand eased in anticipation of the new harvest, and warehousemen cleaned out their elevators.

Table 1. Russia: Grain prices, by region, June 12-26, 2008, in rubles per metric ton

	Wheat, Class 3			**Wheat, Class 4**			**Barley, Feed**		
	Low	High	Average	Low	High	Average	Low	High	Average
Moscow	7,500	7,600	7,550	7,400	7,400	7,400			
Altay Kray	7,950	7,950	7,950						
Krasnodar Kray	7,300	7,500	7,394	5,750	7,700	6,319	4,500	5,500	5,041
Stavropol Kray	6,500	8,500	8,318	7,500	7,500	7,500			
Bryansk Oblast				8,300	8,300	8,300			
Voronezh Oblast							6,300	6,300	6,300
Samara Oblast							6,500	6,500	6,500
Lipetsk Oblast	8,000	8,000	8,000						
Novosibirsk Oblast	8,500	8,500	8,500	7,200	7,600	7,400			
Perm Oblast	8,650	8,650	8,650	8,000	8,500	8,286			
Rostov Oblast	7,300	7,500	7,400	6,900	6,900	6,900			
Ryazan Oblast	8,500	8,500	8,500						
Tambov Oblast									
Tula Oblast	8,300	8,300	8,300						
Average for all provinces	**6,500**	**8,650**	**7,994**	**5,750**	**8,500**	**6,785**	**4,500**	**6,500**	**5,074**

Source: IDK trading portal, http://www.idk.ru/ RUR 23.6 = $1.00

Table 2. Russia: Grain futures prices and turnover as of June 25, 2008

National Mercantile Exchange, Moscow June 25, 2008	Prices				Turnover	
Contract	Open	Low	High	Settle	Contracts	Rubles
Wheat, Class 3 EXW July, rub/mt	5555	5353	5555	5453	10	12,760,020
Wheat, Class 3 EXW Sep, rub/mt	4950	4745	4955	4854	10	11,357,840
Wheat, Class 3 EXW Nov, rub/mt	4850	4691	4860	4776	10	11,175,840
Wheat, Class 4 EXW July, rub/mt	5300	5036	5320	5173	10	12,105,340
Wheat, Class 4 EXW Sep, rub/mt	4564	4564	4700	4625	10	10,821,460
Wheat, Class 4 EXW Nov, rub/mt	4522	4522	4650	4577	10	10,709,140
Wheat FOB Black Sea July, $/mt	320.0	305.5	322.0	305.5	6	14,209,414
Wheat FOB Black Sea Sep, $/mt	318.0	306.4	321.3	306.4	6	14,195,809
Wheat FOB Black Sea Nov, $/mt	305.9	305.6	320.1	320.1	6	14,190,140

Source: Krestyanskiye vedomosti, http://www.agronews.ru/

Pending Railcar Shortage

In 2007, Russia had 33,500 railcars able to haul grain, including 13,500 grain hopper cars. At the beginning of the new marketing year, Russia is down to 32,500 railcars, i.e., has lost 1,000 railcars just as a bumper crop is due to come in. Because rail tariffs for grain do not cover the fixed costs of operation, hauling grain is a money-losing proposition for the Russian Railroads. In addition, new 65-ton hopper cars cost 25 million rubles apiece (about $1.1 million), and private grain companies are so far largely unwilling to invest in them. The average age of a railcar in Russia is 24.6 years, versus an intended lifespan of 30. According to the Russian Transport Company, this means that in 2008 the shortage of railcars is expected to equal 5,033 cars, and if the shortage is not addressed, by 2013 Russia will be short 20,466 railcars. Obviously, this deficit will be exacerbated by the government's plans to expand grain production between now and 2020 to as much as 125 million tons.

PSD Tables

Barley Russia	2006			2007			2008		
	2006/2007			2007/2008			2008/2009		
	Market Year Begin: Jul 2006			Market Year Begin: Jul 2007			Market Year Begin: Jul 2008		
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New
Area Harvested	10000	10000	10000	9800	8360	8360	9600	9400	9200
Beginning Stocks	873	873	873	1226	1226	1226	776	746	200
Production	18100	18100	18100	15650	15650	15663	17500	17200	18000
MY Imports	200	200	200	200	200	200	200	200	200
TY Imports	200	200	200	200	200	200	200	200	200
TY Imp. from U.S.	0	0	0	0	0	0	0	0	0
Total Supply	19173	19173	19173	17076	17076	17089	18476	18146	18400
MY Exports	1547	1547	1547	1000	1030	1030	1300	1300	1200
TY Exports	1691	1691	1691	1000	1030	1030	1300	1200	1200
Feed Consumption	11800	11800	11800	10700	10700	11259	11300	11500	11500
FSI Consumption	4600	4600	4600	4600	4600	4600	4600	4600	4600
Total Consumption	16400	16400	16400	15300	15300	15859	15900	16100	16100
Ending Stocks	1226	1226	1226	776	746	200	1276	746	1100
Total Distribution	19173	19173	19173	17076	17076	17089	18476	18146	18400
Yield	1.81	1.81	1.81	1.5969	1.872	1.8736	1.8229	1.8298	1.9565

Corn Russia	2006			2007			2008		
	2006/2007			2007/2008			2008/2009		
	Market Year Begin: Oct 2006			Market Year Begin: Oct 2007			Market Year Begin: Oct 2008		
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New
Area Harvested	1000	1000	1080	1300	1300	1564	1800	1600	1800
Beginning Stocks	144	144	144	175	175	175	225	175	100
Production	3600	3600	3669	3950	3950	3953	6800	4900	5500
MY Imports	108	108	108	150	160	160	25	130	130
TY Imports	108	108	108	150	160	160	25	130	130
TY Imp. from U.S.	9	9	9	0	0	0	0	0	0
Total Supply	3852	3852	3921	4275	4285	4288	7050	5205	5730
MY Exports	77	77	77	50	50	50	200	100	100
TY Exports	77	77	77	50	50	50	200	100	100
Feed Consumption	3100	3100	3169	3400	3460	3538	4200	4150	4300
FSI Consumption	500	500	500	600	600	600	600	545	600
Total Consumption	3600	3600	3669	4000	4060	4138	4800	4695	4900
Ending Stocks	175	175	175	225	175	100	2050	410	730
Total Distribution	3852	3852	3921	4275	4285	4288	7050	5205	5730
Yield	3.6	3.6	3.3972	3.0385	3.0385	2.5275	3.7778	3.0625	3.0556

Millet Russia	2006			2007			2008		
	2006/2007			2007/2008			2008/2009		
	Market Year Begin: Jul 2006			Market Year Begin: Jul 2007			Market Year Begin: Jul 2008		
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New
Area Harvested	700	700	700	500	375	375	600	400	600
Beginning Stocks	0	0	0	0	0	0	0	0	0
Production	600	600	600	425	420	421	500	400	600
MY Imports	0	0	0	0	0	0	0	0	0
TY Imports	0	0	0	0	0	0	0	0	0
TY Imp. from U.S.	0	0	0	0	0	0	0	0	0
Total Supply	600	600	600	425	420	421	500	400	600
MY Exports	0	0	0	0	0	0	0	0	0
TY Exports	0	0	0	0	0	0	0	0	0
Feed Consumption	300	300	300	225	220	221	300	200	300
FSI Consumption	300	300	300	200	200	200	200	200	300
Total Consumption	600	600	600	425	420	421	500	400	600
Ending Stocks	0	0	0	0	0	0	0	0	0
Total Distribution	600	600	600	425	420	421	500	400	600
Yield	0.8571	0.8571	0.8571	0.85	1.12	1.1227	0.8333	1.0	1.0

Oats Russia	2006			2007			2008		
	2006/2007			2007/2008			2008/2009		
	Market Year Begin: Jul 2006			Market Year Begin: Jul 2007			Market Year Begin: Jul 2008		
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New
Area Harvested	3600	3600	3600	3700	3320	3320	3400	3100	3100
Beginning Stocks	190	190	190	190	190	190	190	190	190
Production	4900	4900	4900	5400	5410	5407	4800	4900	5200
MY Imports	0	0	0	0	0	0	0	0	0
TY Imports	0	0	0	0	0	0	0	0	0
TY Imp. from U.S.	0	0	0	0	0	0	0	0	0
Total Supply	5090	5090	5090	5590	5600	5597	4990	5090	5390
MY Exports	0	0	0	0	0	0	0	0	0
TY Exports	4	4	4	0	0	0	0	0	0
Feed Consumption	3300	3300	3300	3800	3810	3807	3200	3300	3600
FSI Consumption	1600	1600	1600	1600	1600	1600	1600	1600	1600
Total Consumption	4900	4900	4900	5400	5410	5407	4800	4900	5200
Ending Stocks	190	190	190	190	190	190	190	190	190
Total Distribution	5090	5090	5090	5590	5600	5597	4990	5090	5390
Yield	1.3611	1.3611	1.3611	1.4595	1.6295	1.6286	1.4118	1.5806	1.6774

Rice, Milled Russia	2006			2007			2008		
	2006/2007			2007/2008			2008/2009		
	Market Year Begin: Jan 2007			Market Year Begin: Jan 2008			Market Year Begin: Jan 2009		
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New
Area Harvested	163	163	163	163	160	160	175	165	160
Beginning Stocks	104	104	104	69	69	69	69	59	59
Milled Production	445	445	445	460	450	450	500	470	470
Rough Production	685	685	685	708	709	709	769	740	740
Milling Rate (.9999)	6500	6500	6500	6500	6350	6350	6500	6350	6350
MY Imports	250	250	250	233	230	230	240	240	240
TY Imports	250	250	250	233	230	230	240	240	240
TY Imp. from U.S.	0	0	0	0	0	0	0	0	0
Total Supply	799	799	799	762	749	749	809	769	769
MY Exports	15	15	15	15	15	15	15	15	15
TY Exports	15	15	15	15	15	15	15	15	15
Total Consumption	715	715	715	678	675	675	715	685	685
Ending Stocks	69	69	69	69	59	59	79	69	69
Total Distribution	799	799	799	762	749	749	809	769	769
Yield (Rough)	4.2025	4.2025	4.2025	4.3436	4.4313	4.4313	4.3943	4.4848	4.625

Rye Russia	2006			2007			2008		
	2006/2007			2007/2008			2008/2009		
	Market Year Begin: Jul 2006			Market Year Begin: Jul 2007			Market Year Begin: Jul 2008		
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New
Area Harvested	1800	1800	1800	2100	2040	2040	2300	2000	2000
Beginning Stocks	126	126	126	76	76	76	76	76	76
Production	3000	3000	2963	3900	3915	3905	4000	3700	3800
MY Imports	50	50	50	25	5	5	0	25	25
TY Imports	50	50	50	25	5	5	0	25	25
TY Imp. from U.S.	0	0	0	0	0	0	0	0	0
Total Supply	3176	3176	3139	4001	3996	3986	4076	3801	3901
MY Exports	0	0	0	0	130	130	75	75	75
TY Exports	64	64	64	0	130	130	75	75	75
Feed Consumption	100	100	100	650	590	590	650	650	650
FSI Consumption	3000	3000	2963	3275	3200	3190	3000	3000	3100
Total Consumption	3100	3100	3063	3925	3790	3780	3650	3650	3750
Ending Stocks	76	76	76	76	76	76	351	76	76
Total Distribution	3176	3176	3139	4001	3996	3986	4076	3801	3901
Yield	1.6667	1.6667	1.6461	1.8571	1.9191	1.9142	1.7391	1.85	1.9

Wheat Russia	2006			2007			2008		
	2006/2007			2007/2008			2008/2009		
	Market Year Begin: Jul 2006			Market Year Begin: Jul 2007			Market Year Begin: Jul 2008		
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New
Area Harvested	23700	23700	23700	24500	23500	24403	25500	25500	25500
Beginning Stocks	3809	3809	3809	2380	2380	2380	2580	2080	2070
Production	44900	44900	44900	49400	49400	49390	54000	51400	54000
MY Imports	861	861	861	1000	400	400	1000	500	500
TY Imports	861	861	861	1000	400	400	1000	500	500
TY Imp. from U.S.	0	0	0	0	0	0	0	0	0
Total Supply	49570	49570	49570	52780	52180	52170	57580	53980	56570
MY Exports	10790	10790	10790	12000	12100	12100	12500	13000	13000
TY Exports	10790	10790	10790	12000	12100	12100	12500	13000	13000
Feed Consumption	14100	14100	14100	15400	15200	15200	16000	15400	16000
FSI Consumption	22300	22300	22300	22800	22800	22800	23000	22700	22700
Total Consumption	36400	36400	36400	38200	38000	38000	39000	38100	38700
Ending Stocks	2380	2380	2380	2580	2080	2070	6080	2880	4870
Total Distribution	49570	49570	49570	52780	52180	52170	57580	53980	56570
Yield	1.8945	1.8945	1.8945	2.0163	2.1021	2.0239	2.1176	2.0157	2.1176

Relevant Reports

RS8047 Agricultural Situation / Ministry of Agriculture Authorities Again Redefined (not yet posted)

RS8039 Grain and Feed / June Monthly Update
http://www.fas.usda.gov/gainfiles/200805/146294789.pdf

RS8033 Grain and Feed / May Monthly Update
http://www.fas.usda.gov/gainfiles/200804/146294513.pdf

RS8024 Grain and Feed / Annual
http://www.fas.usda.gov/gainfiles/200804/146294162.pdf