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Russian Federation

Grain and Feed

Russian Feed Situation

2000

Approved by:
Geoffery W. Wiggin
U.S. Embassy, Moscow
Prepared by:
Ag Moscow Staff

Report Highlights:
Feed grain consumption for 1999-2000 is forecast approximately 25.1 million tons, almost 15 percent lower than 1999's total of 28.6 million tons. As a result low supplies, Russia faces a grain shortage of 5 to 8 million tons this year. Prices for feed grains are increasing and supplies are falling. This is expected to have the greatest effect on the least competitive farms, especially in the cattle and swine sectors which could resort to distress slaughter later in the year.

Includes PSD changes: No
Includes Trade Matrix: No
Unscheduled Report
Moscow [RS1], RS

Executive Summary

Feed grain consumption for 1999-2000 is forecast approximately 25.1 million tons, almost 15 percent lower than 1999's total of 28.6 million tons. Trade sources estimate that Russia will need between 30 and 33 million tons of feed grain to maintain livestock production at current levels. As a result, Russia faces a grain shortage of 5 to 8 million tons this year. Prices for feed grains are increasing and supplies are falling. This is expected to have the greatest effect on the least competitive farms, especially in the cattle and swine sectors which could resort to distress slaughter later in the year.

Feed Grains

Overview

For the marketing year 1999/00, which started in October 1999, consumption of feed grain is forecast at approximately 25.1 million tons, almost 15 percent lower than the previous year's consumption of 28.6 million tons. Trade sources estimate that Russia will need between 30 and 33 million tons of feed grain to maintain production at current levels. As a result, Russia faces a grain shortage of 5 to 8 million tons this year. Reflecting this, grain prices have shot up on average of 14 percent since December and are expected to increase by as much as 20 percent. Although most feed mills still have grain stocks, industry sources predict that most will run out during March because of high prices, regional trade barriers and the non-delivery of grain contracted for. Regional trade barriers exist in Lipetsk, Orenburg, Kirov, Tartarstan and Bashkortorstan. Because of these factors and the draw-down of stocks, the feed grain shortage is expected to worsen as 2000 progresses.

Wheat

The important feed grain is wheat, which accounts for almost 50 percent of all grain fed to animals. Because food wheat consumption was already at a low level, the reduction in wheat availability this year caused by low stocks and two consecutive bad harvests, will likely force a reduction in feed consumption.

Trade sources indicate that Russian feed wheat supplies are very short, with virtually all of it coming from Kazakhstan or western aid programs. This tightness in the markets has been reflected by the steady increase of feed wheat toward food wheat prices. Kazakh feed wheat now sells delivered for between $100 - $110 a ton. This month it is expected that firms will start buying milling wheat for use in feed.

Barley

After wheat, barley is the most important feed grain, amounting to 30 percent of feed consumption. Tightening supplies have pushed up prices for barley and barley groats with Kazakh barley now selling at the border for $60 a ton and $80 a ton delivered to St. Petersburg. Prices are expected to continue to rising through the spring up to $100 a ton delivered. Increasing prices have already cut the insignificant share of barley allocated for food and industrial consumption.

Other feed grains

Other feed grains make up nearly 20 percent of feed consumption and include oats (14 percent of consumption), corn (5 percent) and rye (3 percent). Corn use is especially useful to the poultry industry and because of its relatively high nutrient content. Rye is also added to feeds in small quantities, and is widely used in many areas during spring for green mass when supplies of other feeds are low. Higher feed prices have pushed up prices for these grains and kept shares of these grains used for food and industrial consumption low.

PSD's for major grains

Grain balance estimates for October 1999 - September 2000:

	Wheat	Barley	Rye	Corn	Oats	Rice	Total
Beginning stocks	1,000	500	740	130	130	65	2,565
Production	31,000	10,600	4,780	1,070	4,400	290	52,140
Imports	5,000	400	250	600	10	540	6,800
Exports	555	50	0	0	0	5	555
Consumption	35,500	11,450	5,200	1,800	4,500	690	59,140
- Feed	12,000	7,400	850	1,300	3,500	0	25,050
- Food	16,100	620	2,500	230	250	590	20,290
- Industrial use	1,000	740	500	200	150	50	2,640
- Seed Use	6,100	2,600	1,050	60	500	50	10,360
- Losses	300	90	300	10	100	0	800
Ending Stocks	1,000	0	570	0	0	200	1,770

Note: grain balance calculations used official (State Statistical Agency's and Customs') production and exports and imports data and are tentative.

Trade

As the year goes on, post expects that firms with the ability to import will do so, especially if prices continue to increase. Industry sources have estimated that if feed wheat prices go over $120 a ton, Russian companies that can, may start importing corn commercially.

Looking ahead into 2000 and 2001

The feed situation in this year is gloomy. Low grain stocks and structural problems in the Russian grain sector, domestically available supplies are not expected to increase in 2000. At best, post forecasts the same level of feed grain consumption in 2000/01 as in 1999/00.

Because of low domestic grain availability, post expects that Russia will continue to depend on imports, especially the often unstable, weather dependent imports from Kazakhstan. In MY1998/99, the share of imported corn and wheat (food wheat imports substituted domestic wheat allocated for feeding) in the feed grain consumption was less than 9 percent, but in MY 1999/00 it is expected to exceed 20 percent.

Oilseed and Protein Feeds

Overview

The Russian protein feed supply has been buoyed by a large sunflower harvest and western shipments of soybeans and soybean meal shipments. This is expected to make Russia better supplied in 1999/00 with protein feeds than anytime in the last 5 years. Because of this post does not expect any further oilseed shortages.

The grain shortage is expected to lead to the waste and misuse of high protein feeds because protein feeds are efficient only when used in the proper balance with grain and other ingredients of feeding formula. Although Russian feed nutritionists at the big poultry plants, pig and cattle feedlots have always been very inventive in finding replacements for absent necessary ingredients, smaller plants lacking these inventive specialists, may end up wasting or misusing of high protein feeds components.

PSD for Oilseeds Meal,
October 1996 - September 2000:

Beginning Month/Year of Marketing Year:				
Russian Federation	10/96	10/97	10/98	10/99
Crush	1840	1829	2100	3458
Beginning Stocks	143	10	10	66
Production	776	785	907	1317
MY Imports	141	153	205	230
MY Imports from U.S.	0	0	120	180
MY Imports from the EC	0	0	0	0
TOTAL SUPPLY	1060	948	1121	1613
MY Exports	17	10	10	5
MY Exports to the EC	0	0	0	0
Industrial Dom.Consum	0	0	0	0
Food Use Dom. Consump.	0	0	0	0
Feed Waste Dom. Consumpt.	983	928	1045	1580
TOTAL Dom.Consumption	983	928	1045	1580
Ending Stocks	60	10	66	28
TOTAL DISTRIBUTION	1060	948	1121	1613

The Current Feed Supplies and Consumption Situation

Overview

Although distress slaughter of livestock is not widespread, slaughter weights have fallen, possibly reflecting the feed shortage. However, industry sources expect that in the next few months that distress slaughter could accelerate, especially in the weaker farms and in the cattle and swine industries.

Compound Feeds

Compound feeds tend to be used only by large livestock operations which can afford them. According to trade contacts, the most efficient Russian meat and poultry producers are dependent on compound feed. Feed manufacturers report that the supply of feed grain in Russia was boosted because large feed mills bought adequate supplies of feed grain following last year's harvest, but now there are signs that these resources are being exhausted. This could mean shrinking production of feed later in the year.

At the same time, Russia is exporting a significant portion of its compound feed because many domestic farmers cannot afford to purchase it. Much of it is exported to Latvia and other Baltic countries. For example, a feed mill from Samara reportedly exports 400 MT of compound feed to Latvia weekly.

Poultry Feed Consumption

Of the livestock sectors, the poultry industry seems in the best positioned to weather the feed shortage although the profitability of Russian broiler meat production is being squeezed by stable meat prices and sharp grain price increases. Industry sources estimate that the best-run (about 10 percent of the industry) and the well-subsidized (about 40 percent) firms have enough of their own grain stocks to last until May or June. These firms are not dependent on feed mill stocks because they supply feed mills with their own grain when they need feed. Some have gone so far as to take physical possession of grain in producing regions. Because poultry farms have the ability to generate income quickly through the sale of bird for slaughter and eggs, they also have more ability to pay cash for feed. Less well-run and amply subsidized farms will be dependent on shrinking feed mill reserves, however.

Cattle and Swine Feed Consumption

In contrast to the poultry sector, lower investment and longer time lags between feed purchases and animal sales are expected to cause more serious disruptions to production. Falling cattle numbers might ease some shortages, but this contraction also points to a sector in distress. The grain shortage may undermine recovery in the swine sector. According to official data as of February 1, 2000, the number of cattle, including cows and hogs totaled 97.1%, 96.5% and 104.4% respectively, compared with a year earlier.

Local Focus: The Feed Situation in Pskov

Senior trade and oblast officials in Pskov oblast reported that Pskov managed to increase poultry and pork production in 1999, despite Russia's macroeconomic problems. One of the most important was the increasing use of compound feed for swine and poultry production. In addition, food shipments from US helped significantly, though they would have liked to receive more and hope for more in 2000.

Feed Supplies in Pskov

Currently, Pskov reports no problems sourcing getting feed grain which is mostly purchased in southern regions of Russia - Krasnodar, Stavropol, Saratov and Rostov oblast. The interested plants buy either feed grain or compound feed from these regions and often take possession in the growing regions for security purposes. The price of feed wheat grain is 2,200 Rubles/MT, and of feed grain and barley - 2,100 Rubles/MT in Samara while the price of compound feed varies from 2,345 Rubles/MT to 2,800 Rubles/MT.

The quality of purchased compound feed is inconsistent according to the management of a major poultry plant. Therefore, they sometimes buy local grain, and produce compound feed locally. They would not have to do this if the quality of purchased compound feed was consistent.