

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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## Russian Federation

**Post:** Moscow

### Grain and Feed August Update

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Grain and Feed

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**Report Highlights:**

Assuming continued favorable weather for grain maturing and harvest, FAS Moscow increased Russia's grain (including legumes) crop forecast by 1.5 million metric tons (MMT) to 87 MMT, including 54 MMT of wheat, 16.5 MMT of barley, 5.0 MMT of corn, and 11.5 MMT of other grains and legumes. Because of larger supply, reduced competition from Europe, and beneficial pricing, total grain exports forecast is also raised to about 16 MMT, including 14MMT of wheat, 1.0 MMT of barley, and about 1 MMT of other grains, such as corn and rice, and legumes.

## **Production:**

Weather has been favorable thus far for grain crop maturing and harvesting in European Russia, and FAS Moscow increased Russian's grain (including legumes) crop forecast by 1.5 million metric tons (MMT) to 87 MMT, including 54 MMT of wheat, 16.5 MMT of barley, 5.0 MMT of corn, and 11.5 MMT of other grains and legumes. Russian authorities forecast the total grain crop at between 85-90 MMT. Viktor Zubkov, Russia's First deputy Prime Minister, and Yelena Skrynnik, Russian Agricultural Minister, reported that Russian grain crop this year may be "up to 90 MMT" and some industry analysts increased crop forecasts to 92-94 MMT.

## Harvest Progress

According to the Russian Agricultural Minister Yelena Skrynnik, as of July 27, 2011 Russia harvested 27 million metric tons (MMT)<sup>[i]</sup> from 8.0 million hectares that is 18 percent of grain sown area. (Note: Harvest progress data is in bunker weight, which is usually 5-8 percent higher than the clean weight that is reported as final crop in Russia). By crops the harvest progress is the following:

- 21.2 MMT of wheat was harvested from 6.1 million hectares (24 percent of the planned wheat harvest area). The average wheat yield is 3.4 metric tons (MT) per hectare, while in 2010 the average yield of wheat by the same time was only 2.6 MT/ha;
- 2.4 MMT of barley were harvested from 0.75 million hectares (9.4 percent of the planned barley harvest area). The average yield is 3.25 MT/ha, while in 2010 the average yield at the same time was only 2.35 MT/ha.

The grain crop harvest is in the full swing in the Southern and the North Caucasus federal districts, and progressing rapidly in the Central Federal District:

- In the Southern Federal District farmers harvested 15.6 MMT from 4.4 million hectares (63 percent of grain sown area);
- In the North Caucasian Federal District farmers harvested 6.9 MMT from 1.8 million hectares (66 percent of sown area);
- In the Central Federal District farmers harvested 3.9 MMT from 1.4 million hectares (19 percent of sown area);

In other federal districts farmers have only started harvesting grain, and in most provinces the grain crop looks good so far. However, experts are concerned that continued dryness in the south of the Volga Valley and the southern regions of Rostov oblast, while not affecting the wheat crop, may decrease yields of corn, sugar beet and sunflowerseeds.

## **Stocks:**

According to the Russian State Statistical Service (Rosstat), stocks of grain at all farms, processing enterprises, elevators and warehouses were 16.7 MMT on July 1, 2011, or 22.6 percent lower than on the same date last year. These stocks include 6.7 MMT of grain stored in the State Intervention Fund, of which 82 percent are milling quality wheat and rye, and 18 percent – fodder wheat and barley. Some industry analysts believe that grain carry-over stocks reported to Rosstat by grain owners in the Southern European Russia may include new grain which was harvested in the end of June 2011.

Moreover, industry analysts believe that there may have been some over-reporting of grain stocks in order to encourage the government to re-open grain exports. FAS Moscow estimates carry-in grain stocks at 16 MMT, of which approximately 84 percent is wheat, 7 percent is barley, and the other 9 percent stocks of other grains and legumes.

## **Trade:**

On July 21, 2011 Russian Agricultural Minister increased Russia's grain exports forecast from 15 MMT to 18 MMT, and later Russia's top officials reported that Russia may restore grain exports to 20 MMT in MY 2011. The forecasts are based on increased crop forecasts. Because of Russia's larger grain crop, ample carry-in stocks, and reduced competition from Europe in key Mediterranean market, FAS Moscow forecasts Russian's total grain exports at 16 MMT, including 14.0 MMT of wheat, 1.0 MMT of barley, and approximately 1 MMT of other grains and legumes.

### Grain exports in July 2011

Russian companies resumed grain exports on July 1, 2011 after more than 10 months' break caused by the grain export ban. The pace of exports at the beginning of the month was slow, especially as many importers were hesitant at first to purchase Russian grain due to their experiences with cancelled contracts last year (for example in the beginning of July Russian wheat was not included in Egyptian GASC tenders). In the first half of July 2011, Russia exported only 870,000 metric tons of grain (mostly wheat), including 205,200 MT to Turkey, and only 170,000 MT to Egypt. However, starting in the second half of July, the very large price spread between Russian wheat and supplies from other suppliers became sufficient to convince buyers to return to sourcing from Russia. Industry reports that by July 20, 2011, Egyptian GASC (General Authority for Supply Commodities) purchased 180,000 MT of Russian wheat. The Russian prices averaged \$246/MT FOB, more than \$30 below French and U.S. offers. At a second tender held on July 26, 2011, GASC again purchased 120,000 MT of Russian wheat, and once again Russian offers were at a very large discount compared to other suppliers. In order to assure that the quality of Russian wheat is adequate, GASC met with representatives from Russian exporters to initiate export inspections by Egypt for Russian grain. Because of much stronger sales and low prices compared to competitors, industry forecasts for Russian grain exports for August and September are 2.5 – 3.0 MMT monthly.

## **Policy:**

In light of optimistic grain crop forecasts, Russian officials have resumed declarations on the necessity of supporting grain exports, and the President declared that the government shall instruct its foreign trade offices and representatives to promote Russian agricultural exports, including grain exports.

Despite these declarations, though, it is clear that the Government's priority is livestock production, and this was evidenced by the distribution of grain from intervention stocks directly to livestock producers in the spring of 2011. Also, the First Deputy Prime Minister, Viktor Zubkov, recently remarked on government policy possibly including grain export tariffs. He stated that although the government is unlikely to regulate grain exports at least in July-September 2011, grain prices need to be kept at 5,200 rubles – 5,600 rubles per metric ton (\$186 - \$200) which is a "comfortable level for grain

consumers”.

In spring 2011 the Agricultural Minister announced the minimum prices for 2011 grain crop for the procurement interventions to the State Intervention Fund (for more information see GAIN RS1125 \_ Minimum Procurement Prices for 2011 Grain \_ Moscow \_ Russian Federation \_ 5/19/2011). Current market prices for grain are still higher than the announced minimum procurement prices, but have moved closer to these minimum levels. However, despite these stated minimum prices, the Government does not have any plans yet to begin procurement for the State grain invention fund (which currently has over 6 million tons). In July, officials again revived talks about the possibility to add to grain interventions so called “grain collateral” interventions (government loans to farmers using grain as collateral). However, any introduction of this new mechanism will require amendments to the current federal laws and is unlikely to occur this marketing year.

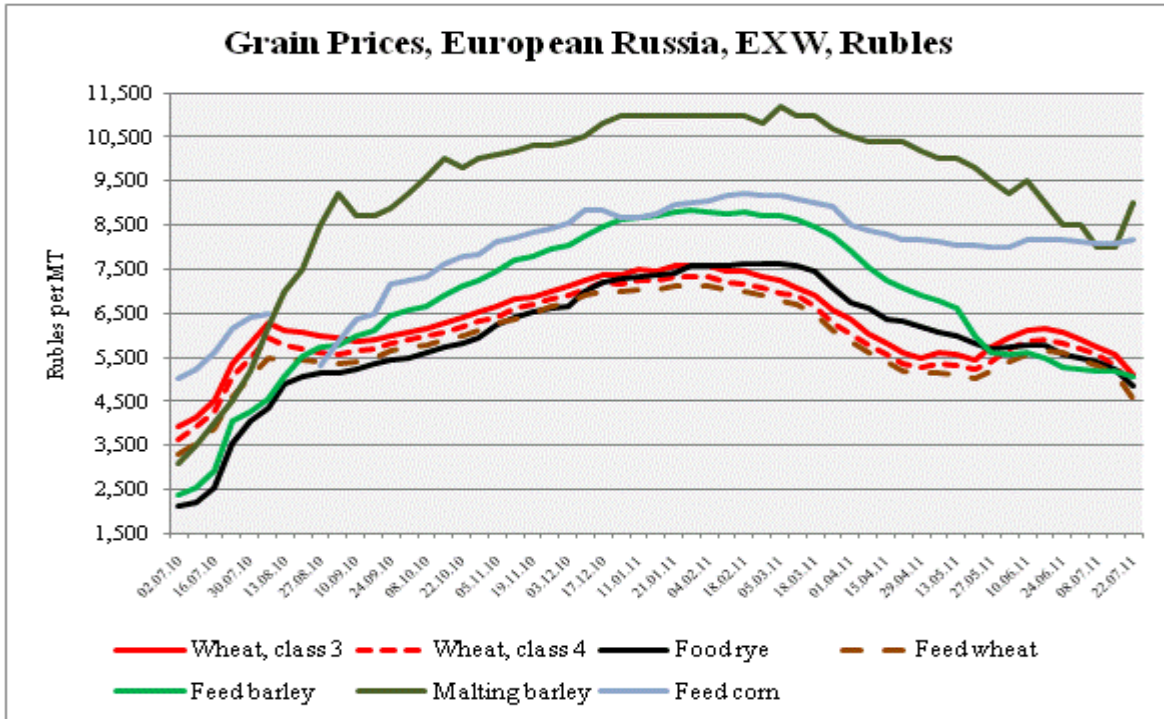
On July 25<sup>th</sup> 2010 the President signed a Federal Law on Crop Insurance, which is targeted on the state support of crop and livestock insurance in Russia, and may increase guarantees to farmers in cases of disasters compared with the drought of 2010. However, the Government still needs to develop the mechanism of the state-supported insurance, and the law will come into force only in 2012.

Media also reported that the Russian Union of Grain Producers and the Unions of Flour Millers and Bakers may reach an agreement on milling wheat prices, similar to the agreement signed in February, 2011 which lasted until July 1, 2011 (for more information see GAIN report RS1110 Farmers and Flour Millers Agreed on Indicative Minimum Wheat Prices \_ Moscow \_ Russian Federation \_ 2/22/2011). The first agreement set a wheat maximum price (to benefit the millers) that was suppose to cover farmers’ cost of production and provide for stable supply of important bakery products at affordable price. Now the associations are discussing the possibility to reach another agreement for MY 2011, but to possibly include a minimum price (to benefit the grain producers) at which the processor agrees to buy milling wheat. So far, however, an agreement has not been reached.

### **Prices:**

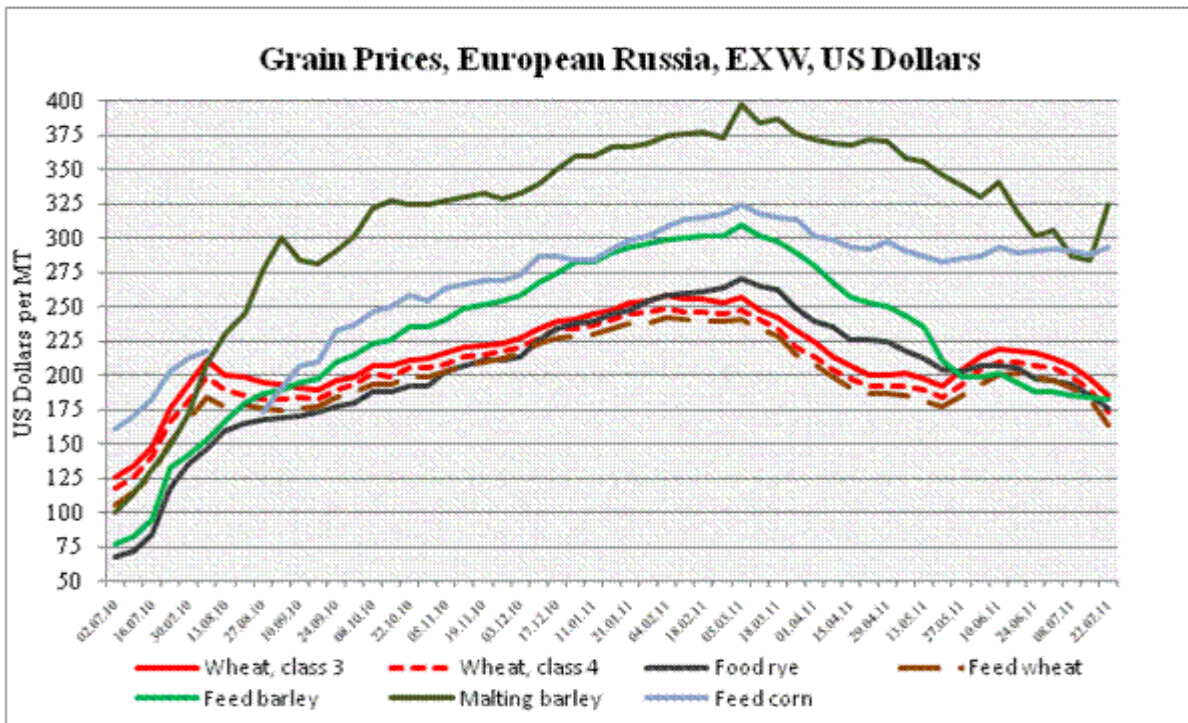
Domestic grain prices continued decreasing in July 2011. Class 3 milling wheat price dropped from the peak of 7,600 rubles per MT in February to 5,125 rubles per MT by July 22, 2011. Price of Class 4 milling wheat decreased in the same period from 7,300 rubles to 4,800 rubles, and price of feed wheat (Class 5) decreased from 7,100 rubles to 4,600 rubles per MT. The difference in price of top class milling wheat and feed quality wheat has been very small through all the period.

**Chart 1. Prices by Crops, EXW, Rubles, European Russia, July 2, 2010 – July 22, 2011**



Source: ProZerno

Chart 2. Prices by Crops, EXW, US Dollars, European Russia, July 2, 2010 – July 22, 2011



Source: ProZerno

## Production, Supply and Demand Data Statistics :

PSD, Wheat, 1,000 Metric Tons, Area in 1,000 Hectares

Wheat Russia	2009/2010		2010/2011		2011/2012	
	Market Year Begin: Jul 2009		Market Year Begin: Jul 2010		Market Year Begin: Jul 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	28,698	28,700	26,614	21,710	26,000	26,000
Beginning Stocks	10,743	10,479	13,621	14,257	11,429	13,315
Production	61,770	61,770	41,508	41,508	53,000	54,000
MY Imports	164	164	100	100	200	100
TY Imports	164	164	100	100	200	100
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	72,677	72,413	55,229	55,865	64,629	67,415
MY Exports	18,556	18,556	4,000	3,950	12,000	14,000
TY Exports	18,556	18,556	4,000	3,950	12,000	14,000
Feed and Residual	17,500	16,800	17,000	16,000	18,500	18,400
FSI Consumption	23,000	22,800	22,800	22,600	23,000	22,800
Total Consumption	40,500	39,600	39,800	38,600	41,500	41,200
Ending Stocks	13,621	14,257	11,429	13,315	11,129	12,215
Total Distribution	72,677	72,413	55,229	55,865	64,629	67,415

1000 HA, 1000 MT, MT/HA

PSD, Barley, 1,000 Metric Tons, Area in 1,000 Hectares

Barley Russia	2009/2010		2010/2011		2011/2012	
	Market Year Begin: Jul 2009		Market Year Begin: Jul 2010		Market Year Begin: Jul 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	9,094	7,750	7,214	4,960	7,900	8,000
Beginning Stocks	3,813	3,637	2,245	2,238	995	1,188
Production	17,881	17,900	8,350	8,350	15,500	16,500
MY Imports	8	8	300	400	200	200
TY Imports	13	8	300	400	200	200
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	21,702	21,545	10,895	10,988	16,695	17,888
MY Exports	2,657	2,657	300	300	800	1,000
TY Exports	2,086	2,086	300	300	800	1,000
Feed and Residual	12,300	12,150	5,600	5,500	9,600	10,400
FSI Consumption	4,500	4,500	4,000	4,000	4,400	4,500
Total Consumption	16,800	16,650	9,600	9,500	14,000	14,900
Ending Stocks	2,245	2,238	995	1,188	1,895	1,988
Total Distribution	21,702	21,545	10,895	10,988	16,695	17,888

1000 HA, 1000 MT, MT/HA

PSD, Corn, 1,000 Metric Tons, Area in 1,000 Hectares

Corn Russia	2009/2010		2010/2011		2011/2012	
	Market Year Begin: Oct 2009		Market Year Begin: Oct 2010		Market Year Begin: Oct 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	1,365	1,100	1,416	1,020	1,600	1,600
Beginning Stocks	254	287	122	160	72	195
Production	3,963	3,950	3,075	3,075	5,500	5,000
MY Imports	32	50	200	200	50	100
TY Imports	32	50	200	200	50	100
TY Imp. from U.S.	0	0	0	0	0	40
Total Supply	4,249	4,287	3,397	3,435	5,622	5,295
MY Exports	427	427	25	10	300	300
TY Exports	427	427	25	10	300	300
Feed and Residual	3,200	3,200	2,900	2,800	4,500	4,200
FSI Consumption	500	500	400	430	500	500
Total Consumption	3,700	3,700	3,300	3,230	5,000	4,700
Ending Stocks	122	160	72	195	322	295
Total Distribution	4,249	4,287	3,397	3,435	5,622	5,295

1000 HA, 1000 MT, MT/HA

PSD, Rye, 1,000 Metric Tons, Area in 1,000 Hectares

Rye Russia	2009/2010		2010/2011		2011/2012	
	Market Year Begin: Jul 2009		Market Year Begin: Jul 2010		Market Year Begin: Jul 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	2,147	2,150	1,757	1,380	1,800	1,800
Beginning Stocks	312	297	308	360	225	310
Production	4,333	4,300	1,642	1,650	3,000	3,100
MY Imports	0	0	150	150	0	0
TY Imports	0	0	150	150	0	0
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	4,645	4,597	2,100	2,160	3,225	3,410
MY Exports	12	12	0	0	0	0
TY Exports	11	11	0	0	0	0
Feed and Residual	825	825	75	100	100	400
FSI Consumption	3,500	3,400	1,800	1,750	2,900	2,800
Total Consumption	4,325	4,225	1,875	1,850	3,000	3,200
Ending Stocks	308	360	225	310	225	210
Total Distribution	4,645	4,597	2,100	2,160	3,225	3,410

1000 HA, 1000 MT, MT/HA

PSD, Oats, 1,000 Metric Tons, Area in 1,000 Hectares

Oats Russia	2009/2010		2010/2011		2011/2012	
	Market Year Begin: Jul 2009		Market Year Begin: Jul 2010		Market Year Begin: Jul 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
<b>Area Harvested</b>	3,374	3,000	2,895	2,250	3,500	3,300
<b>Beginning Stocks</b>	499	581	397	478	160	298
<b>Production</b>	5,401	5,400	3,218	3,220	5,000	4,600
<b>MY Imports</b>	0	0	0	0	0	0
<b>TY Imports</b>	0	0	0	0	0	0
<b>TY Imp. from U.S.</b>	0	0	0	0	0	0
<b>Total Supply</b>	5,900	5,981	3,615	3,698	5,160	4,898
<b>MY Exports</b>	3	3	5	0	5	0
<b>TY Exports</b>	4	4	5	0	5	0
<b>Feed and Residual</b>	4,000	4,000	2,050	2,000	3,400	3,200
<b>FSI Consumption</b>	1,500	1,500	1,400	1,400	1,500	1,400
<b>Total Consumption</b>	5,500	5,500	3,450	3,400	4,900	4,600
<b>Ending Stocks</b>	397	478	160	298	255	298
<b>Total Distribution</b>	5,900	5,981	3,615	3,698	5,160	4,898
1000 HA, 1000 MT, MT/HA						