

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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POLICY

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Russian Federation

Post: Moscow

State Purchase Intervention Prices for Wheat Increased

Report Categories:

Grain and Feed

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Report Highlights:

The Russian Ministry of Agriculture increased the price level for purchases of wheat of 2014 crop for the State Intervention Fund by approximately fifty percent. The increased price may stimulate Russian farmers to sell wheat to the intervention fund instead of selling to traders. Sales of wheat to the State Intervention Fund ceased in the middle of November when the market price of wheat in Russia increased sharply and surpassed the intervention prices by 70-90 percent. The first intervention purchases of wheat at new prices are scheduled for December 23 and 24, 2014.

General Information:

The Russian Agricultural Minister increased the price level for purchases of wheat of 2014 crop for the State Intervention Fund. The Order of the Minister of Agriculture No. 514 of December 18, 2014, was registered at the Ministry of Justice of the Russian Federation on December 22, 2014, and on the same day was posted on the Ministry of Agriculture's site under new documents: www.mcx.ru. The unofficial translation of the Order No. 514 is provided below.

Prices for intervention purchases of milling wheat Class 3 were raised from 6,750 rubles to 10,100 rubles per one metric ton (MT) in European Russia, and from 6,400 rubles to 10,000 rubles per one MT in Ural and Siberia. Prices of milling wheat Class 4 were increased from 6,450 rubles to 9,300 rubles per one MT in European Russia, and from 6,200 rubles to 9,200 rubles per one MT in Ural and Siberia. Prices of feed quality wheat Class 5 were raised from 6,100 rubles to 9,000 rubles per MT in European Russia, and from 6,000 rubles to 9,100 rubles in Ural and Siberia.

Table. Target market prices for intervention purchases and current market prices

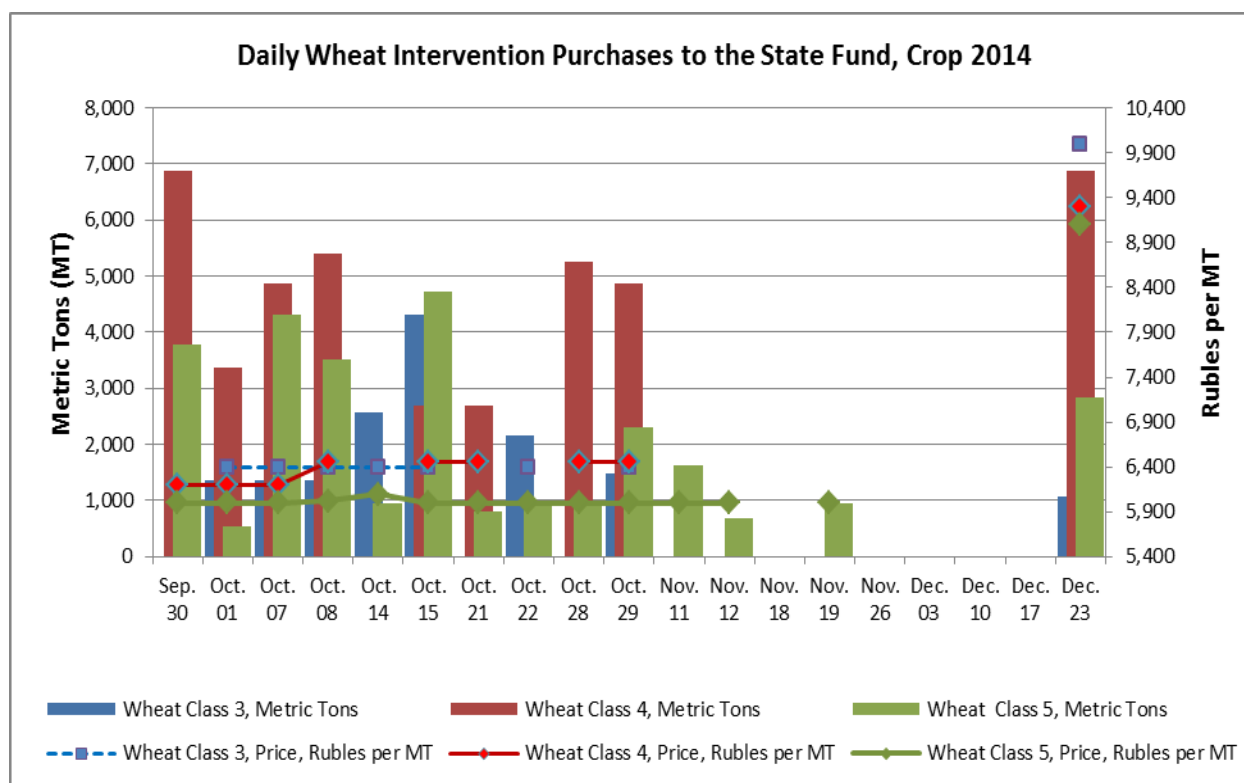
	Target market price		Current market price EXW, as of December 19, 2014
	December 22, 2014 prices for crop 2014	March 31, 2014 prices for crop 2014	
Wheat Class 3			
- Central, North-Western, Volga Valley, North Caucasus, Southern	10,100	6,750	from 10,750 to 11,533
- Ural, Siberia, Far Eastern	10,000	6,400	from 11,200 to 11,525
Wheat Class 4			
- Central, North-Western, Volga Valley, North Caucasus, Southern	9,300	6,450	from 10,025 to 10,983
- Ural, Siberia, Far Eastern	9,200	6,200	from 10,300 to 10,688
Wheat Class 5 (feed)			
- Central, North-Western, Volga Valley, North Caucasus, Southern	9,000	6,100	from 9,163 to 9,817
- Ural, Siberia, Far Eastern	9,100	6,000	from 9,450 to 9,650
Food rye (Group "A")		5,100	from 5,913 to 6,111
Fodder barley		5,150	from 6,733 to 8,417

Corn, Class 3		5,600	from 8,767 to 8,967
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Note: Target prices are not calculated in the U.S. dollars because ruble to the U.S. Dollar exchange rate changed dramatically from 35.6 rubles per \$1 in the end of March 2014 (the former prices announced) to 42.0 rubles per \$1 in the end of October (purchase interventions began), and to 60.7 rubles per \$1 on December 22, 2014.

Source: FAS/Moscow based on Ministry of Agriculture and ProZerno data

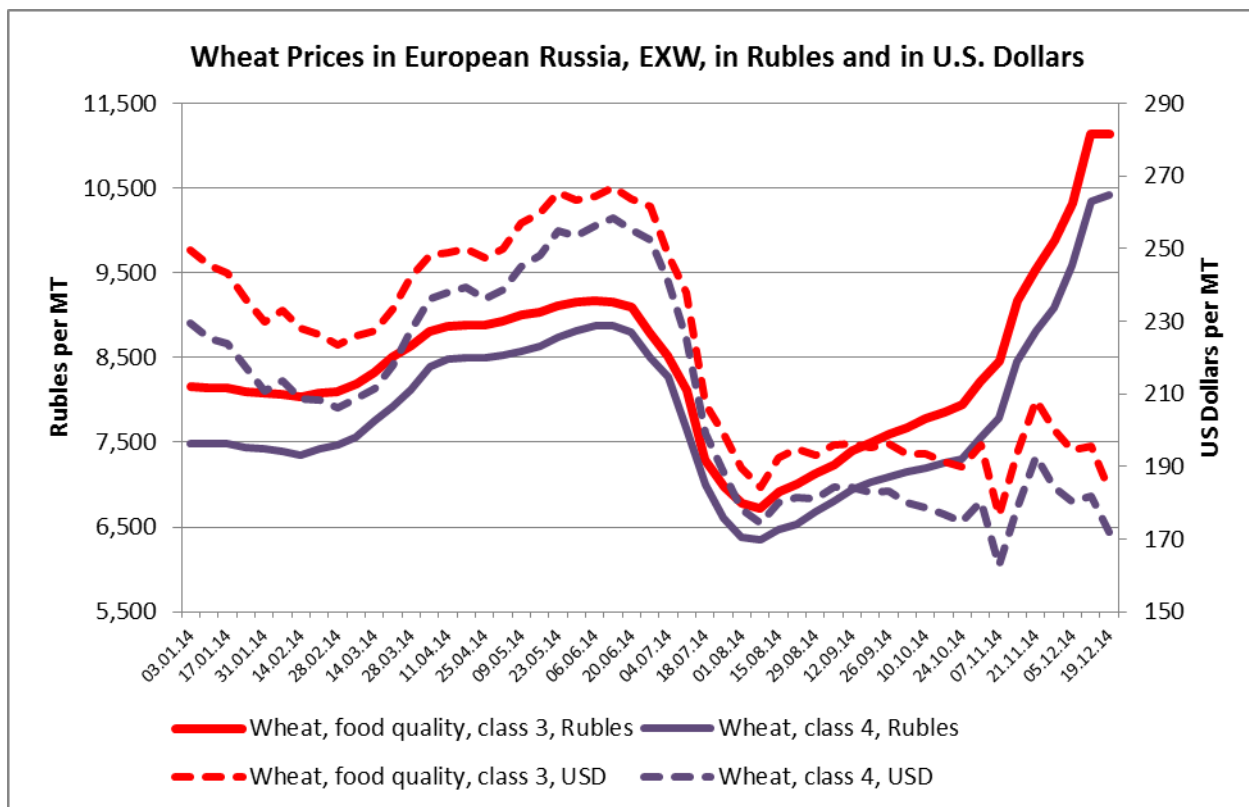
The first Intervention Fund purchases at the new target prices were scheduled for December 23 and December 24, 2014. On the first day of these interventions, the state purchased 10,800 MT of grain for 100.6 million rubles. The purchases included 1,080 MT of wheat Class 3 for 10,000 rubles per MT, 6,885 MT of wheat Class 4 for 9,300 rubles per MT, and 2,835 MT of wheat Class 5 for 9,100 rubles per MT.



Source: www.namex.org

Background information

Russia harvested approximately 104 million metric tons (MMT) of grain in 2014. The 2014 crop was the second highest crop in Russian history. According to industry analysts, this crop is more than enough to meet all of Russian domestic demand, fill the state-owned Grain Intervention Fund, and export up to 30 MMT of grain. However, with the rapid devaluation of the ruble to the U.S. Dollar during the latter part of 2014, grain exports (particularly wheat) have become a priority for Russian traders. While the domestic price (in rubles) for wheat was increasing, because of the ruble devaluation the price of wheat in U.S. dollars was decreasing. This resulted in Russian wheat becoming very competitive in world markets (Chart 1).



Source: ProZerno

From July to November 2014, Russia exported 18.1 MMT of grain, a historical record. These exports included 14.4 MMT of wheat, also the absolute maximum in Russian history, almost 2.6 MMT of barley, 0.8 MMT of corn, and 0.3 MMT of other grains, pulses and flour (in grain equivalent). According to Arkady Dvorkovich, the Deputy Prime Minister of the Russian Federation, by the end of December 2014, Russia will export approximately 21 MMT of grain.

Meanwhile, purchases of wheat to the State Intervention Fund ceased by mid-November 2014. Farmers however did continue to sell small quantities (several tons) of rye to the intervention fund. As of mid-December 2014, government purchases of grain for the fund included: 281,860 MT of grain, including 14,580 MT of milling wheat Class 3, 36,045 MT of milling wheat Class 4, 26,055 MT of feed quality wheat Class 5, 91,530 MT of food quality rye, Class 3, and 113,650 MT of fodder barley. According to the Ministry of Agriculture, as of mid-December the total state owned grain intervention fund had approximately 1.5 MMT of grain. This total includes 1.2 MMT of grain purchased from the 2013 crop and approximately 0.3 MMT of grain of 2014 crop. On December 16, 2014, Nikolay Fedorov, the Russian Agricultural Minister, reported that the Intervention Fund would purchase up to 3.5 MMT more grain, primarily wheat¹. On the same day he announced that the Ministry of Agriculture increased intervention purchase prices for wheat.

¹ Source: <http://agronews.ru/news/detail/138322/>

Order No. 514 of December 18, 2014
Abbreviated unofficial translation begins

Ministry of Agriculture of the Russian Federation
Order
Of December 18, 2014 No.514
Moscow

On amendments to the Order of the Ministry of Agriculture of the Russian Federation of March 26, 2014, No.94

In accordance with part 5 of Article 14 of the Federal Law No. 264-FZ of December 29, 2006 “On the Development of Agriculture” (Collection of legislative acts of the Russian Federation ...) and the Rules of the State Procurement and Commodity Interventions for Regulation of Agricultural and Food Market approved by the Resolution of the Russian Government No.580 of August 3, 2001 (Collection of the legislative acts of the Russian Federation ...), I order:

Subparagraphs “a”, “b”, “c” of paragraph 1 of the Order of the Ministry of Agriculture No. 94 of March 26, 2014 “On the determining the target levels of minimum prices for grain of 2014 crop for the state purchase interventions in 2014-2015” (registered in the Ministry of Justice on April 17, 2014, registration No. 32013), with amendments in accordance with the Order of the Ministry of Agriculture No. 234 of June 26, 2014 “On amendments to the Order of the Ministry of Agriculture No. 94 of March 2014” (registered in the Ministry of Justice on July 28, 2014, registration No. 33297) to read as follows:

a) “For soft wheat Class 3:

For the subjects of the Russian Federation in the Central, North-Western, Volga Valley, North Caucasus, Southern and Crimea federal districts – 10,100 rubles per ton;

For the subjects of the Russian Federation in the Ural , Siberia and the Far Eastern federal districts – 10,000 rubles per ton;

b) For soft wheat Class 4:

For the subjects of the Russian Federation in the Central, North-Western, Volga Valley, North Caucasus, Southern and Crimea federal districts – 9,300 rubles per ton;

For the subjects of the Russian Federation in the Ural , Siberia and the Far Eastern federal districts – 9,200 rubles per ton;

c) For soft wheat Class 5:

For the subjects of the Russian Federation in the Central, North-Western, Volga Valley, North Caucasus, Southern and Crimea federal districts – 9,000 rubles per ton;

For the subjects of the Russian Federation in the Ural , Siberia and the Far Eastern federal districts – 9,100 rubles per ton.

Minister

N.V. Fedorov

End unofficial translation