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Grain and Feed Annual

Annual for 2012

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Report Highlights:
FAS/Moscow's initial forecast is for Russian grain production in 2012 to fall slightly from last year's large crop, and also for exports to decline in the 2012/13 marketing year from the record levels of 2011/12. FAS/Moscow forecasts Russia's grain production at 88 million metric tons (MMT), including 54 MMT of wheat, 16 MMT of barley, 6 MMT of corn, and 12 MMT of other grains, such as rye, oats, rice, millet, triticale, buckwheat, sorghum, and legumes. Given attractive world grain prices, these grain volumes will allow Russia to export approximately 19 MMT of grain, including 16 MMT of wheat, 2 MMT of barley, and over 0.5 MMT of corn.

Executive Summary:

Assuming average weather during the growing season, FAS/Moscow forecasts Russia's 2012 grain production at 88 million metric tons, 6 MMT (6 percent) below the last year, but close to the 5 year average. By crop, 2012 forecasts are the following:
Wheat – 54 MMT, 2 MMT below the 2011 crop
Barley – 16 MMT, 1 MMT lower than 2011
Corn – 6 MMT, 0.7 MMT lower than 2011.
In addition, production of rye, oats, millet are also forecasted to decrease from last year by 1 MMT total, and production of other grain crops and legumes are forecast to also fall by 1 MMT, while rice production is expected to remain at the same level as in 2011. The following factors are responsible for the overall lower production forecast for 2012:

- Winter kill in the Southern and North Caucasian federal districts (which are the the major producing regions of winter wheat) is estimated higher than last year and this could lead to reduced production of winter grains.
- Soil moisture in the Urals and Siberia is below last year's level and below average, which may affect spring grain production.
- Shifts in sown area are expected to continue to non-grain fodder crops and oilseeds, such as sunflowerseeds and soybeans.
- While crop producers' financial situation has improved in the 2011/12 marketing year, outstanding debts remain high, and it is unlikely that farmers will significantly increase investments for the improvement of yields in 2012/13. In addition, the Russian Government's initiatives on increasing investments in land improvements (including irrigation) and in crop insurance will not yet influence crop production in 2012. It is also expected that Government funding will remain focused on supporting the poultry and livestock sectors rather than crop production.

Grain exports for the 2012/13 marketing year are forecast at 19 MMT, down from last year's record of 26 MMT but still large. FAS/Moscow forecasts wheat exports at 16 MMT of wheat (from 21 MMT in 2011/12), 2 MMT of barley (2.9 MMT), 0.5 MMT of corn (1.2MMT) and 0.5 MMT of other grains and legumes (down from 0.7 MMT in 2011/12).

Domestic food and industrial consumption is expected to remain at 34 MMT, as a small decrease in flour and cereals consumption in line with a shrinking population is offset by rising industrial consumption because of increased processing of grain into starches and syrups. Feed (including waste) consumption of grain is forecasted at 36 MMT, a 1 percent increase from last year. Although livestock and poultry production is expanding, the efficiency of feed use of grain continues to improve and as a result feed growth rates are slower than that of animal and poultry numbers.

FAS/Moscow forecasts that carry-out grain stocks will remain steady at 13 MMT by the end of the 2012/13 marketing year.

Direct government support of the grain sector is unlikely to increase in 2012/13, especially farmers have enjoyed relatively good prices and production this past year, and government efforts are expected to continue to be targeted towards supporting the poultry and livestock industries. Announced government

support for spring sowing in 2012 indicates that the government is using the same set of tools as were used in previous years, namely support of "voluntary" fuel and fertilizer price discounts for farmers, soft-term loans for purchasing equipment and for construction of storage facilities, and continued intervention purchases but at a low level. The longer term mechanisms of grain production support such as restoration/improvement of irrigation, crop insurance, and clarity in agricultural land ownership, will not likely be implemented in 2012.

Table 1. Post's Forecasts for MY 2012/13, 1,000 Metric Tons, 1,000 Hectares

	Wheat	Barley	Corn	Rye	Oats	Other Grains and Legumes	TOTAL GRAIN
Area Harvested	25,750	7,900	1,700	1,650	3,200	2,910	43,110
Beginning Stocks	10,211	1,318	581	257	521	397	13,288
Production	54,000	16,000	6,000	2,700	5,000	4,300	88,000
MY Imports	200	200	50	0	0	250	700
TY Imports	200	200	50	0	0	250	700
TY Imp. from U.S.	0	0	0	0	0	0	0
Total Supply	64,411	17,518	6,631	2,957	5,521	4,950	101,988
MY Exports	16,000	2,000	500	50	5	450	19,005
TY Exports	16,000	2,000	500	50	5	450	19,005
Feed Consumption	16,000	9,800	4,800	150	3,500	1,600	35,850
FSI Consumption	22,400	4,400	800	2,500	1,500	2,550	34,150
Total Consumption	38,400	14,200	5,600	2,650	5,000	4,150	70,000
Ending Stocks	10,011	1,318	531	257	516	350	12,983
Total Distribution	64,411	17,518	6,631	2,957	5,521	4,950	101,988
Yield	2.10	2.03	3.53	1.64	1.56	1.48	2.04

Note: The table is composed of PSD forecasts for each crop.

Commodities:

Wheat

Barley

Corn

Rye

Oats

Millet

Rice, Milled

Production:

FAS/Moscow forecasts Russia's total grain production at 88 MMT, including 54 MMT of wheat, 16 MT of barley, 6 MT of corn, and 12 MT of other grains and legumes.

As for now there is no official Russian Government grain crop forecast for 2012, only remarks that the crop is not expected to be worse than in 2011 (94.2 MMT). According to the Russian Agricultural Minister Yelena Skrynnik, "there will be enough grain in the country by the end of this marketing year and in the next season, which is seen having the same sized harvest as in 2011. The condition of winter crops is average compared with past years, but differs by region".

Most industry analysts forecast the grain crop at over 90 MMT, and some as high as 95-97 MMT. Despite these optimistic forecasts, preliminary analysis based on winter sown area, winter kill, expectations of spring area and a return to more average trend yields results in the smaller forecast. Due to the very high variability in yields, and the fact that the share of winter grain in the total grain production varies by years from 40 to 55 percent, forecasts are understandably less than dependable this early in the season. Spring sowing will begin in April and May, and oilseeds, sugar beet, perennial grasses and some spring fodder crops will continue to compete with grain for sown area.

Sown Area and Yields

According to Russian Ministry of Agriculture data, area sown to winter crops (grains, rapeseed and some fodder crops) for harvest in 2012 was 16.13 million hectares, compared with 16.08 million hectares in 2011. Despite this slight increase it is still 0.74 million hectares lower than the 5-year average (2007-2011). There is no information on the share of different crops in this winter sown area, but industry analysts estimate that the share of winter wheat is 83-85 percent of winter area, winter rye area is 12-13 percent, and the rest are winter barley, triticale, winter rapeseed and some other crops. So far, the Russian Ministry of Agriculture has reported that winter kill will be at an average level of 6-7 percent although the impact has differed by region. The Ministry forecasts that area sown to spring crops (all spring crops) in 2012 will be 50.8 million hectares, including 30.3 million hectares for spring grains and legumes.

FAS/Moscow forecasts that given normal weather conditions the total grain harvested area may remain at 43 million hectares, the same as in 2011, but yields are forecast lower. Other factors affecting production include:

- Winter grain survival in the Southern and North Caucasian federal districts is worse than in 2011, and the losses may not be completely compensated by the better than last year winter grain survival in the Volga Valley Federal District. A return to trend yields, especially for winter grain, would mean less production than in 2011.
- In the Siberian Federal District large grain stocks, high transportation expenses to ship grain to export, and relatively low grain prices may prevent farmers from increasing spring grain sowing. Besides, soil moisture in many provinces of Ural and Siberian federal districts is below normal, and if rainfall in May does not restore the soil moisture to the norm this would further impact the production.
- In all major grain producing provinces in European Russia, especially in the provinces of the Central Federal District, farmers may increase area sown to fodder crops and oilseeds, which are in high demand from the livestock and poultry industries, at the expense of wheat.

Input Supply

Fuel Supply

Fuel prices have continued to rise and prices for gasoline increased in 2011 by 15.9 percent in the Russian Federation (average) from 22.9 rubles ($0.76) per liter to 26.53 rubles ($0.88) per liter. In some oblasts prices increased by 17-18 percent in 2011. In 2012 the Russian Government for the third year in a row allowed discounted fuel prices to farmers, however, unlike previous years it was only announced for the first half of the year. If the government does not continue support for the second half of 2012, it could significantly affect harvesting and sowing of the winter crop. The discount will be up to 30 percent of the level of wholesale fuel prices in December 2011. According to the Russian Ministry of Agriculture, farmers may save up to 12 billion rubles ($400 million) on these discounted prices. Overall fuel supply is reported to be sufficient for the spring sowing (for more information see GAIN report RS1210 _ Government Approves Fuel Prices Discount for Farmers for 2012 _ Moscow _ Russian Federation _ 2/14/2012).

Fertilizer

Fertilizer supply is improving, but the average rates of application of fertilizer still remain low and fertilizer use differs greatly by farm size. Large scale producers, especially those that belong to agro-holding companies, follow the best agronomy practices and do not experience any shortage of fertilizer or other chemicals. Meantime many middle and small scale producers cannot afford buying necessary chemicals and even fertilizer and depend to a greater extent on beneficial weather for yield improvement. The accumulated stocks of mineral fertilizer by the end of January 2012 were 280,300 MT, which is 60,000 MT more than in 2011. On the recommendation of the Ministry of Agriculture, the provincial agricultural authorities have concluded agreements with fertilizer producers on the timely supply of fertilizer at discount prices for the spring sowing.

Planting seeds

Planting seeds supply has improved, but many farmers still use low yielding seeds. The Ministry of Agriculture reported that the supply of planting seeds has exceeded the demand in 2012. As of January 24, 2012 farmers had 6,070,900 MT of planting seeds of grain and legumes, while the need is 6,066,300 MT. The quality of seeds for corn and some other grains has improved in recent years, while, at the better financed farms they also use improved seeds of wheat and barley. However, the overall improvement in wheat yields may be attributed to shifts from spring varieties to higher yielding winter varieties, as still many farms use so called “saved” seeds for planting which do not have traits for increasing yields.

Machinery

Inadequate agricultural machinery and equipment still remains the weakness of Russian grain production. Grain farmers’ finances have slowly recover from the 2010 drought and the low prices in the beginning of 2011, but their indebtedness continues to limit their ability to purchase new tractors and harvesters. The fleet of grain harvesters in Russian agricultural enterprises (does not include peasant farms and private households) has shrunk in the last 5 years by over 4 percent from 137,234 pieces in

2007 to 131,313 pieces in 2011, and the most drastic decrease happened in the 2010/2011 grain marketing year. From July 1, 2010 to July 1, 2011 the number of harvesters in Russian agricultural enterprises decreased by 5,921 pieces. The age of most harvesters in Russian agriculture exceeds the service age (which is 10-12 years) by 2 – 2.5 times.

Although there has been an overall decline, by regions the picture is very different. The number of harvesters in the Southern and N. Caucasian Federal Districts, which have the highest yields and closest access to export points, increased by 24 and 23 percent respectively, and the share of these districts in the fleet increased from 19 percent in 2007 to 24 percent in 2011. Overall the share of harvesters that are prepared for work increased from 70 percent in 2007 to 80 percent in 2011. In the Southern and N. Caucasian federal districts 95 percent of harvesters were ready for work, while in Siberian and Ural federal districts only 66 and 70 percent of harvesters were ready to work.

The State Program on Development of agriculture 2008-2012 envisaged renovation of 50 percent of grain harvesters' fleet through the use of soft-term loans to farmers, but the budget for this program was less than planned. According to the Deputy Prime Minister Viktor Zubkov, in 2012-2014 the Russian government will forward 9 billion rubles ($300 million) for the upgrading of agricultural machinery. In 2012 the government will allocate 3.5 billion rubles from the federal budget, and in addition 5 billion rubles from the Charter Capital of Rosagroleasing will be spent for the leasing of agricultural machines. Thus, the total sum will be 8.5 billion rubles in 2012, which will allow (according to government plans) replacing 4,500 pieces of machinery. This program is planned to start in February – March 2012, and the farmers will get most of the machinery by spring sowing.

WTO accession is expected to relax trade in imported agricultural machines and may increase suppliers' competition in the domestic market for farmers' benefit. However, these are not expected to influence farming in 2012.

Summary of 2007-2011 Production Changes

At the end of March 2012, the Russian Federal State Statistics Service (Rosstat) updated data on Russia's production, planted area and yields of major crops. Total grain and legumes production in 2011 is 94.2 MMT, the third best crop since 1994 (Chart 1). The production, sown area and yields by major crops are in the Table 2.

Chart 1.

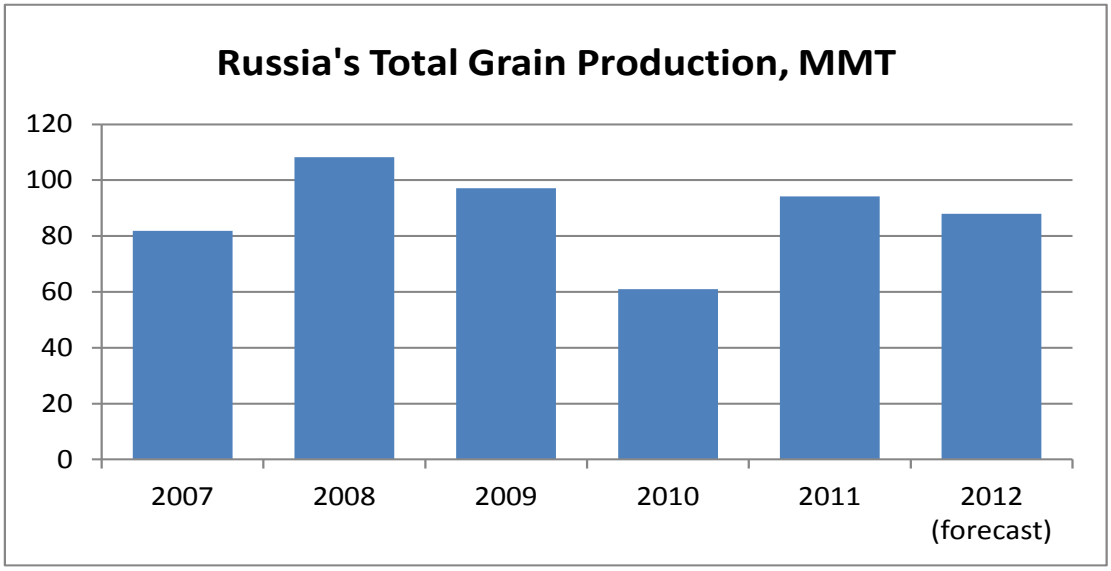


Table 2. Rosstat Final Data on Sown Area, Production and Yields, 2007-2011

	2007	2008	2009	2010	2011
Planted Area, 1,000 Hectares					
TOTAL	44,265	46,742	47,553	43,194	43,572
including:					
Wheat, total	24,382	26,633	28,698	26,613	25,552
- winter	10,597	12,692	13,835	12,699	11,805
- spring	13,785	13,941	14,863	13,915	13,747
Barley, total	9,618	9,621	9,035	7,214	7,881
- winter	537	651	582	461	383
- spring	9,081	8,970	8,553	6,753	7,498
Rye	2,097	2,162	2,142	1,762	1,551
Triticale			190	165	226
Oats (spring)	3,548	3,561	3,374	2,895	3,046
Corn for grain	1,509	1,812	1,365	1,416	1,715
Rice	162	164	183	203	211
Millet	506	572	522	521	826
Buckwheat	1,301	1,113	932	1,080	907
Legumes	1,094	1,006	1,080	1,305	1,553
Other	48	98	32	20	105
Production, 1,000 Metric Tons					
TOTAL	81,796	108,179	97,111	60,960	94,213
including:					
Wheat, total	49,390	63,765	61,740	41,508	56,240
- winter	28,600	42,694	38,952	27,905	34,429
- spring	20,790	21,071	22,788	13,603	21,811
Barley, total	15,663	23,148	17,881	8,350	16,938
- winter	2,031	2,660	2,057	1,667	1,572
- spring	13,632	20,488	15,824	6,684	15,366
Rye	3,905	4,505	4,329	1,636	2,971
Triticale			508	249	523

	2007	2008	2009	2010	2011
Oats (spring)	5,407	5,835	5,401	3,220	5,332
Corn for grain	3,953	6,682	3,963	3,084	6,962
Rice	709	738	913	1,061	1,056
Millet	421	711	265	134	878
Buckwheat	1,005	924	564	339	800
Legumes	1,301	1,794	1,529	1,371	2,453
Other	42	77	18	9	60
Yields (tons per harvested hectare)					
Wheat, total	2.10	2.45	2.32	1.91	2.26
- winter	2.81	3.39	2.90	2.49	2.29
- spring	1.56	1.56	1.72	1.29	1.64
Barley, total	1.87	2.46	2.31	1.68	2.20
- winter	3.86	4.12	3.67	3.74	4.16
- spring	1.74	2.33	2.21	1.48	2.10
Rye	1.92	2.11	2.07	1.19	1.95
Triticale			2.72	1.76	2.35
Oats (spring)	1.63	1.71	1.79	1.44	1.82
Corn for grain	2.93	3.87	3.53	3.00	4.34
Rice	4.51	4.62	5.14	5.28	5.09
Millet	1.12	1.38	1.00	0.78	1.39
Buckwheat	0.84	0.92	0.90	0.59	0.95
Legumes	1.41	1.84	1.65	1.39	1.67

Source: www.gks.ru

Consumption:

Feed Consumption

FAS/Moscow forecasts Russia's domestic grain consumption in 2012/13 at 70 MMT, almost no change from 2011/12. Of this total feed consumption will comprise more than 51 percent, or 36 MMT. The Russian feed sector continues to develop along with the livestock and poultry sectors, which are benefiting from strong government support. With the introduction of new technologies and greater use of compound feeds, feed efficiency is rising and direct feeding of grain to animals is decreasing. Demand for corn and oilseeds for feeding is growing, while demand for wheat and barley is more stable. The increase in feed efficiency and a shift from direct feeding to compound feeds has resulted in rates of growth in feed consumption being slower than the increase in animal and poultry numbers. The Ministry of Agriculture forecasts compound feed production in 2012 to reach 18.6 MMT, a 26 percent increase from 2011.

Food and Industrial Consumption

Food and industrial consumption will remain unchanged, although food consumption is decreasing slowly but is being offset by rising industrial consumption. Russian's total food consumption is falling along with the declining population and changes in diet. People in metropolitan areas are eating less bread, and while consumption of value-added grain products are growing these products typically require less grain than traditional bread.

Meanwhile, industrial use of grain is increasing, but at a slow pace. Alcohol production still comprises the major portion of grain industrial consumption, and most low-quality or spoiled grain is processed into alcohol, although data on grain processing into alcohol is not available. Some distillers began their own production of DDGS, but data on this production is also not available.

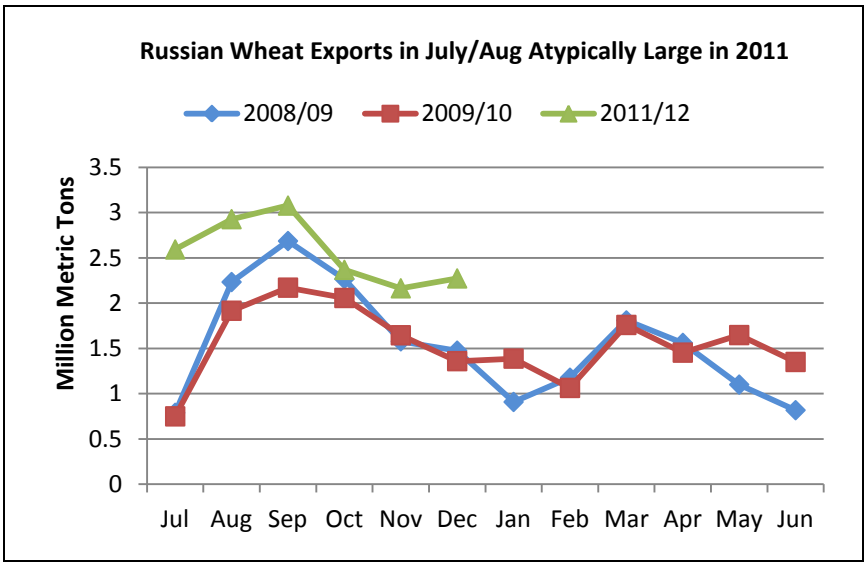
In recent years there has been a push for increased grain processing into value added products and slowly this is beginning to happen in grain industry. In the last 8 years (beginning 2004) the processing of grain into starches and syrups increased by 70 percent, from 650,000 MT (including 645,000 MT of corn and 5,000 MT of wheat), to 1.1 MMT (including 910,000 MT of corn and almost 200,000 MT of wheat). The grain industry has developed new schemes of processing rye into syrups as well, but corn still remains the major source for starch and syrup production (although the share of wheat is increasing). The leader in production of starches and syrups is Cargill (58 percent of Russia's starch and syrup production in 2011). Investments in Russia for the processing of grain into these products are increasing. This growth is expected to continue as demand for sugar replacers in the food industry is growing and the price of syrup from grain in 2010 and 2011 remained 60-90 percent lower than the price of white sugar. In Kaliningrad, the Sodruzhestvo company has built a facility for processing grain (corn) into starch, gluten, and other value added grain products and Cargill has its own plant of processing of wheat (formerly corn) into gluten. Other facilities are also under construction and this may increase domestic demand for wheat and corn, and increase farmers' production incentives.

Trade:

FAS/Moscow forecasts that in the 2012/13 marketing year, Russia will export 16 MMT of wheat, 2 MMT of barley, 0.5 MMT of corn, and approximately 0.5 MMT of other grains and legumes. Exports are forecast to decline from the record levels of 2011/12 because of a decrease in Russia's grain crop, much lower expected carry-in stocks to begin the year in key exporting regions, and consequently much lower early-season exports. The grain export ban in 2010/11 resulted in a strong build-up of stocks at the ports, and export terminals were ready to ship the minute the ban was removed July 1, 2011. As a result in July 2011 Russian wheat exports were a record 2.6 MMT, which is 4 times the average for July exports for the past 10 years (See chart below). However, with stocks in key regions near the ports now largely depleted, July 2012 exports are expected to return to typical low levels and exports will only pick up after the new harvest is marketed and moved to export points.

For 2011/12, FAS/Moscow estimates grain exports as the following: 21.0 MMT of wheat, including wheat flour in grain equivalent, 2.9 MMT of barley, 1.2 MMT of corn, and approximately 0.7 MMT of other grain and legumes to total 25.8 MMT.

Chart 2



From July 2011 through February 2012, Russia exported 21.4 million metric tons of grain. This includes 17.3 MMT of wheat and wheat flour (in grain equivalent), 2.5 MMT of barley, 0.9 MMT of corn, and approximately 0.6 MMT of other grains and legumes. Exports in January – February 2012 slowed down significantly because of weather, sea and river conditions. Industry analysts had expected a recovery of grain exports beginning March, but this recovery has been slower than expected as a late spring in the Southern European Russia has kept ice mass in the shallow Russian ports and in the Don River almost until mid March.

Exports are expected to remain low during the rest of the spring as depleted grain stocks in the Russian European South and the strengthening of the ruble have increased the relative price of Russian grain (wheat) compared with prices of wheat from other countries. Industry analysts estimate Russia's total grain exports in MY 2011/12 at 26-27 MMT. Although there had been some discussion of export duties being put in place if exports reached a certain point this year, Government officials have since announced that no duties will be put in place.

Russia is expected to officially accede to the WTO in the summer of 2012 and this will have two significant impacts for grain trade. First, with WTO accession export duties will no longer be an option for the Russian government according to WTO rules. Second, although tariffs on most grains will not see significant changes, rice will be the exception. Currently rice imports are restricted by duty of 0.12 euro per kg, which was introduced when Russia began developing its rice industry 5 years ago. With accession, these duties will need to be reduced immediately to only 15 percent, but not less than 0.045 euro per kg on most of types of rice, with the tariff falling to 10 percent but not less than 0.03 euro per kg by 2015 (there are some differences by rice type). Domestic rice producers are concerned that this will lead to a large increase in imports, increased market competition and affect domestic production.

Stocks:

FAS/Moscow forecasts Russia's carry-in stocks in the beginning of the 2012/13 marketing year at slightly over 13 MMT, compared with 15 MMT in the beginning of 2011/12. Of these stocks a sizeable portion will be intervention stocks. According to the Russian government, Russia's carry-in stocks are expected to be 15 MMT by July 1st when the new season starts, which would be enough to secure domestic needs.

Russian official statistical data on grain stocks and movement of grain stocks is not available on the Rosstat's site, however industry analysts from time to time publish this information with reference to Rosstat. However, the monthly reports on stocks do not include stocks at the small scale agricultural organizations, such as private households, small private farms. The reported grain stocks in agricultural enterprises, at elevators, warehouses, grain storing and grain processing enterprises on March 1, 2012 were 29.1 MMT, only 2.6 percent higher than last year, despite much higher production. The reason for this is that very strong grain exports so far in 2011/12 have shrunk stocks, and last year stocks were atypically large due to the grain export ban. The stocks in the Southern and the North Caucasus federal districts, the major grain exporting districts of Russia, are almost 25 percent lower than on the same data last year while stocks in the Volga Valley and in the Ural federal districts, which suffered severely from the drought in 2010, are almost 40 percent higher than last year (see charts below).

Chart 3.

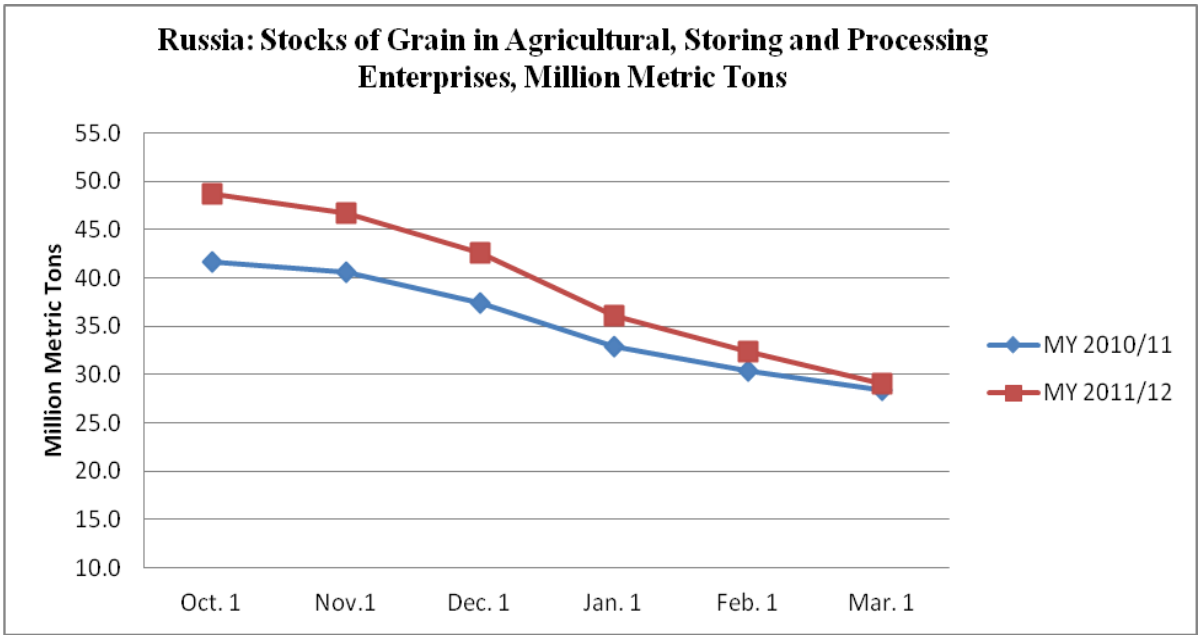
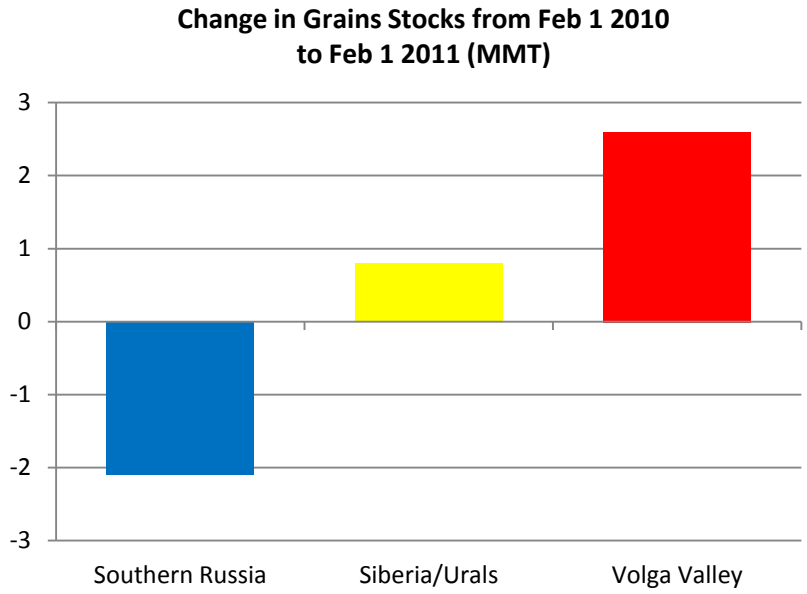


Chart 4



Policy:

Grain Interventions

In 2011/2012, the Government conducted grain procurement interventions for farmers in the Ural and Siberian federal districts. These interventions continued at a slow pace through March 2012, but then were stopped because farmers discontinued selling grain at these tenders. Only wheat Class 3 and 4 was sold, and by mid-February the average intervention price was below market price. By March 6, 2012 the Government had purchased 308,880 MT of wheat Class 3 and 110,430 MT of wheat Class 4 to the intervention fund, for the total of 1.9 billion rubles ($64 million). For more information on the procurement of intervention grain in 2011/12 see GAIN report RS 1203 _ Russian Grain Production and Exports Update – Moscow _ Russian Federation – 1/19/2012.

Including the grain stocks accumulated by the government in the previous years, at the beginning of March 2012 the State Intervention fund had almost 6.9 MMT of grain worth over 32 billion rubles ($1.1 billion). The structure of this grain was the following: 90,000 MT of grain purchased in 2005, 4.5 MMT purchased in 2008, 1.9 MMT purchased in 2009, and over 0.4 MMT purchased in 2011.

In the beginning of March the Government announced the minimum prices for selling grain from the intervention fund and the start of selling interventions is expected in the beginning of April 2012. Since the announced prices for selling intervention grain in Siberia and Ural are higher than the current market prices, the chances of large sales of intervention grain in Siberia are low. Grain from the intervention fund may, however, be in demand in European Russia, since the declared intervention prices are a little bit lower or close to the current market prices there.

By the end of March the Ministry of Agriculture also announced the intervention procurement prices for the 2012 grain crop. These prices are 7-10 percent higher than the procurement prices for grain in 2011

and also differ by districts. The purpose of this announcement and these prices is to calm farmers who are worried about possible price volatility in 2012/13, and the actual procurement will depend ultimately on the federal budget allocation for interventions in CY 2012 and CY 2013.

Grain Safety Control

The Federal Service for Veterinary and Phytosanitary Surveillance (VPSS) at the Ministry of Agriculture is responsible for phytosanitary control of grain and grain products. The norms and regulations are stipulated in the Customs Union basic documents, and relative regulatory documents of VPSS. VPSS is also responsible for pesticides and agro-chemical control.

The CU Technical Regulation on the Safety of Grain (TR CU 015/2011, approved by the Decision of the CU Commission #874 of December 9, 2011) will come to force on July 1, 2013.

Beginning January 1, 2012, the Federal Customs Service of the Russian Federation and the VPSS began sharing information in the sphere of phytosanitary control at the checkpoints of the state border through the federal information system FITONADZOR. The custom officers can also use their regular information system after updating it for quarantine documentation. This procedure is set by the Order of the Federal Customs Service (FCS) #2491 of December 9, 2011 and the VPSS Order #628 "On approval of procedure of interactive information between the FCS and the VPSS in the state quarantine phytosanitary control at the checkpoints across the state border"

Grain Quality Control

In 2004 the State Grain Inspectorate was liquidated, and quality control moved to VPSS in the Ministry of Agriculture. This was controlled through issuance of grain quality certificates. These certificates were required only at Russian custom points and were not typically used by importers as they did not feel they were an adequate enough measure of quality. As a result importers used quality assessments issued by international surveyors. In October 2011 the Federal Law that required these export quality certificates expired, and VPSS lost its authority to issue grain quality certificates. VPSS has lobbied for the restoration of these and promote this concept in the draft federal law "On Grain", however, the law has not been adopted and the industry and grain traders' opposition to this is very strong.

Grain Production State Support

The support of grain production has been limited so far to a set of seasonal measures, such as fuel and fertilizer prices discounts and federal subsidies for elite seed production. Such government initiatives as the development of irrigation, soil conservation, and crop insurance, may not be implemented in 2012.

Marketing:

Grain prices in European Russia had been stable until early 2012, but then began increasing along with the depletion of grain stocks. The strengthening of ruble in 2012 also worked against the competitiveness of Russian grain exports.

Chart 5.

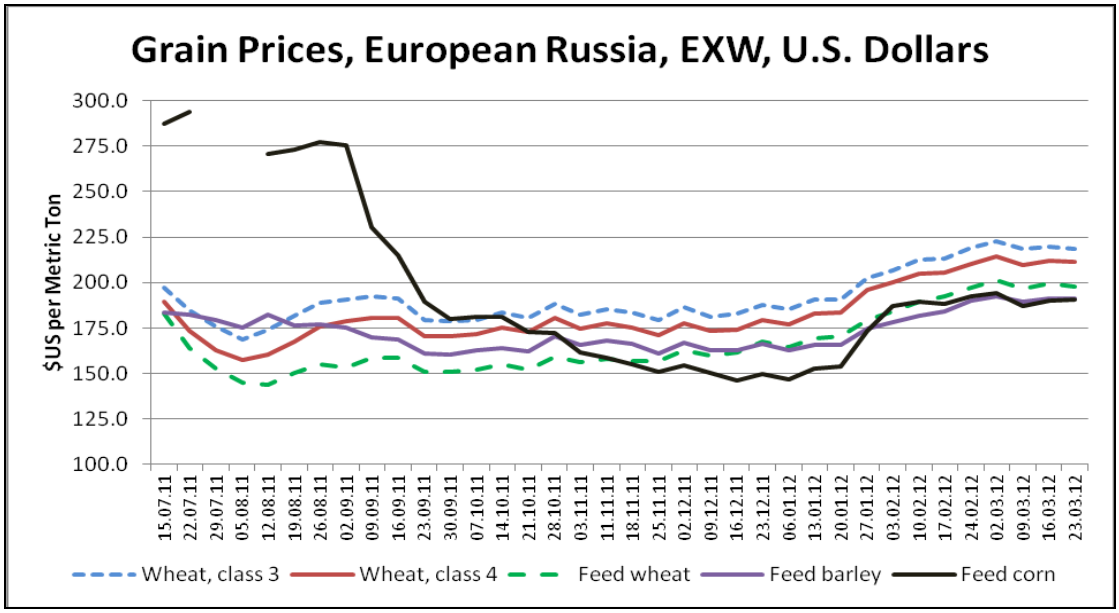
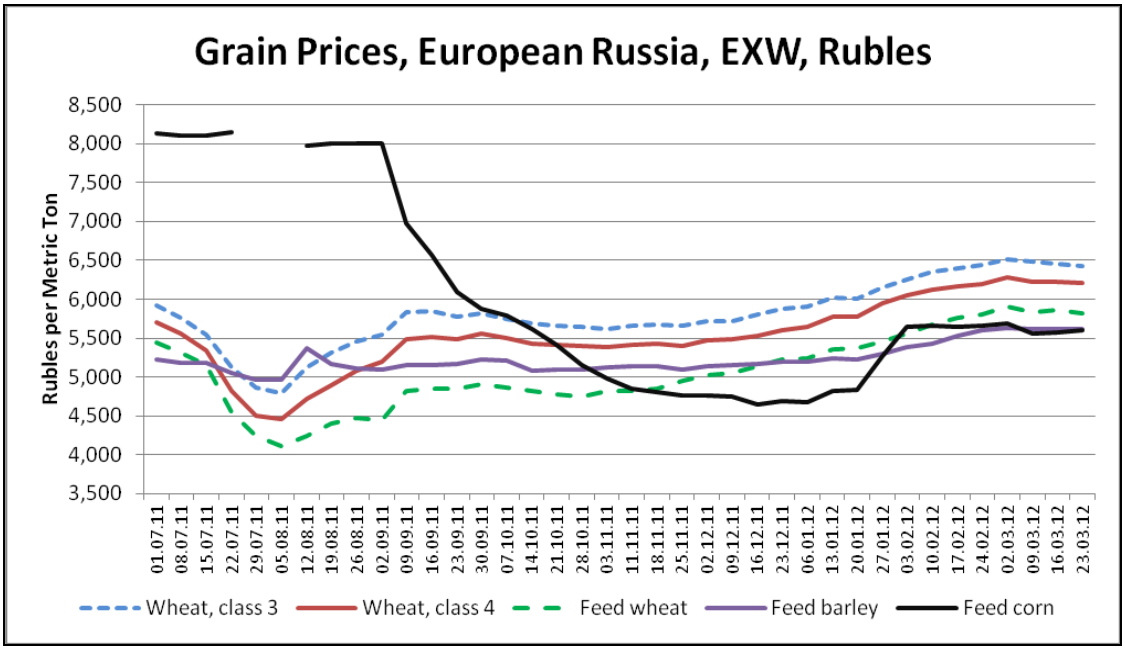


Chart 6.



Production, Supply and Demand Data Statistics:

PSD, Wheat

FAS/Moscow forecasts that wheat sown area will remain very similar to the 2011 level, while lower yields will reduce production to 54 MMT. Domestic wheat consumption has been relatively stable for several years in a row at 39 MMT. Russia is forecast to export 16 MMT of wheat in 2012/13.

Wheat Russia	2010/2011	2011/2012	2012/2013

	Market Year Begin: Jul 2010		Market Year Begin: Jul 2011		Market Year Begin: Jul 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	26,614	26,614	25,679	25,679		25,750
Beginning Stocks	14,521	14,257	13,535	13,271		10,211
Production	41,508	41,508	56,231	56,240		54,000
MY Imports	89	89	200	200		200
TY Imports	89	89	200	200		200
TY Imp. from U.S.	0	0	0	0		0
Total Supply	56,118	55,854	69,966	69,711		64,411
MY Exports	3,983	3,983	20,500	21,000		16,000
TY Exports	3,983	3,983	20,500	21,000		16,000
Feed and Residual	16,000	16,000	16,000	16,000		16,000
FSI Consumption	22,600	22,600	22,600	22,500		22,400
Total Consumption	38,600	38,600	38,600	38,500		38,400
Ending Stocks	13,535	13,271	10,866	10,211		10,011
Total Distribution	56,118	55,854	69,966	69,711		64,411
1000 HA, 1000 MT, MT/HA						

PSD, Barley

Barley area is slightly down and production is also forecast lower mostly because of relatively poor profitability of this crop. Area sown to varieties for malting barley is increasing along with stable and relatively high demand for malt, although there is no official data on malting barley production. The quality of malting barley depends very much on weather, and what was sown as malting barley may finally be harvested as low-quality feed barley. Barley exports are forecast to decrease along with lower production.

Barley Russia	2010/2011		2011/2012		2012/2013	
	Market Year Begin: Jul 2010		Market Year Begin: Jul 2011		Market Year Begin: Jul 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	7,214	7,214	7,960	8,000		7,900
Beginning Stocks	2,395	2,389	1,386	1,380		1,318
Production	8,350	8,350	16,935	16,938		16,000
MY Imports	408	408	200	200		200
TY Imports	411	411	200	200		200
TY Imp. from U.S.	0	0	0	0		0
Total Supply	11,153	11,147	18,521	18,518		17,518
MY Exports	267	267	2,900	2,900		2,000
TY Exports	969	969	2,300	2,300		2,000
Feed and Residual	5,500	5,500	9,800	9,800		9,800
FSI Consumption	4,000	4,000	4,500	4,500		4,400
Total Consumption	9,500	9,500	14,300	14,300		14,200
Ending Stocks	1,386	1,380	1,321	1,318		1,318
Total Distribution	11,153	11,147	18,521	18,518		17,518
1000 HA, 1000 MT, MT/HA						

PSD, Corn

Corn production is forecast to fall from 2011/12 because of lower yields. Exports are also forecast to fall both due to lower production, strong domestic demand, and expected larger global supplies of corn (especially in the United States). Domestic corn feed consumption will continue increasing along with increased poultry production. Some growth in the food and industrial consumption will be driven by increased processing of corn into value added products, such as gluten, starch and corn syrup.

Corn Russia	2010/2011		2011/2012		2012/2013	
	Market Year Begin: Oct 2010		Market Year Begin: Oct 2011		Market Year Begin: Oct 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	1,416	1,020	1,743	1,743		1,700
Beginning Stocks	122	160	72	94		581
Production	3,075	3,075	6,680	6,962		6,000
MY Imports	112	108	50	25		50
TY Imports	112	108	50	25		50
TY Imp. from U.S.	0	0	0	0		0
Total Supply	3,309	3,343	6,802	7,081		6,631
MY Exports	37	49	1,200	1,200		500
TY Exports	37	49	1,200	1,200		500
Feed and Residual	2,800	2,800	4,400	4,600		4,800
FSI Consumption	400	400	700	700		800
Total Consumption	3,200	3,200	5,100	5,300		5,600
Ending Stocks	72	94	502	581		531
Total Distribution	3,309	3,343	6,802	7,081		6,631
1000 HA, 1000 MT, MT/HA						

PSD, Rice, Milled

FAS/Moscow does not forecast any significant increase in rice production, and the domestic demand for rice is stable and rice prices have remained steady even in 2010/11 when the market prices of all other cereals were increasing. After WTO accession rice import duties will decrease from the present 0.12 euro per kg to 15 percent (ad valorum), but not less than 0.045 euro per kg and this could result in higher imports.

Rice, Milled Russia	2010/2011		2011/2012		2012/2013	
	Market Year Begin: Jan 2011		Market Year Begin: Jan 2012		Market Year Begin: Jan 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	202	202	210	210		210
Beginning Stocks	55	55	80	89		100
Milled Production	690	690	682	686		700
Rough Production	1,062	1,062	1,049	1,055		1,077
Milling Rate (.9999)	6,500	6,500	6,500	6,500		6,500
MY Imports	150	176	150	175		200
TY Imports	150	176	150	175		200
TY Imp. from U.S.	0	0	0	0		0
Total Supply	895	921	912	950		1000
MY Exports	125	142	150	150		150

TY Exports	125	142	150	150		150
Consumption and Residual	690	690	680	700		750
Ending Stocks	80	89	82	100		100
Total Distribution	895	921	912	950		1000
1000 HA, 1000 MT, MT/HA						

PSD, Rye

Rye Russia	2010/2011		2011/2012		2012/2013	
	Market Year Begin: Jul 2010		Market Year Begin: Jul 2011		Market Year Begin: Jul 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	1,757	1,757	1,623	1,623		1,650
Beginning Stocks	308	360	250	286		257
Production	1,642	1,636	2,969	2,971		2,700
MY Imports	150	150	0	0		0
TY Imports	150	150	0	0		0
TY Imp. from U.S.	0	0	0	0		0
Total Supply	2,100	2,146	3,219	3,257		2,957
MY Exports	0	0	100	100		50
TY Exports	21	21	100	100		50
Feed and Residual	100	100	200	200		150
FSI Consumption	1,750	1,760	2,700	2,700		2,500
Total Consumption	1,850	1,860	2,900	2,900		2,650
Ending Stocks	250	286	219	257		257
Total Distribution	2,100	2,146	3,219	3,257		2,957
1000 HA, 1000 MT, MT/HA						

PSD, Oats

Oats Russia	2010/2011		2011/2012		2012/2013	
	Market Year Begin: Jul 2010		Market Year Begin: Jul 2011		Market Year Begin: Jul 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	2,895	2,895	3,233	3,233		3,200
Beginning Stocks	397	428	167	194		521
Production	3,218	3,218	5,334	5,332		5,000
MY Imports	4	0	0	0		0
TY Imports	4	0	0	0		0
TY Imp. from U.S.	0	0	0	0		0
Total Supply	3,619	3,646	5,501	5,526		5,521
MY Exports	2	2	5	5		5
TY Exports	1	1	5	5		5
Feed and Residual	2,050	2,050	3,400	3,500		3,500
FSI Consumption	1,400	1,400	1,500	1,500		1,500
Total Consumption	3,450	3,450	4,900	5,000		5,000
Ending Stocks	167	194	596	521		516
Total Distribution	3,619	3,646	5,501	5,526		5,521

1000 HA, 1000 MT, MT/HA

PSD, Millet

Millet Russia	2010/2011		2011/2012		2012/2013	
	Market Year Begin: Jul 2010		Market Year Begin: Jul 2011		Market Year Begin: Jul 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	521	521	842	842		600
Beginning Stocks	0	0	0	0		0
Production	131	134	878	878		600
MY Imports	0	0	0	0		0
TY Imports	0	0	0	0		0
TY Imp. from U.S.	0	0	0	0		0
Total Supply	131	134	878	878		600
MY Exports	0	0	0	0		0
TY Exports	0	0	0	0		0
Feed and Residual	5	5	578	578		300
FSI Consumption	126	129	300	300		300
Total Consumption	131	134	878	878		600
Ending Stocks	0	0	0	0		0
Total Distribution	131	134	878	878		600
1000 HA, 1000 MT, MT/HA						