USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

Voluntary _ Public

Date: 7/26/2012

GAIN Report Number: RS1248

Russian Federation

Post: Moscow

Grain and Feed August Update

Report Categories:

Grain and Feed

Approved By:

Levin Flake

Prepared By:

Yelena Vassilieva

Report Highlights:

In most provinces of the Volga Valley, the Urals, and Siberia, dry and hot weather have continued to damage crops prospects. As a result the FAS/Moscow forecast for Russia’s grain crop in 2012 is lowered to 81 million metric tons (MMT), compared to 94 MMT for 2011. This total includes 47 MMT of wheat, 15 MMT of barley, 7.5 MMT of corn, and 11 MMT of other grains and pulses. Lower production and already tight carry-in stocks will reduce exportable supplies, and the grain export forecast for 2012/13 is also lowered to 15 MMT compared to the record 28.1 MMT in 2011/12. This total includes 11 MMT of wheat, 2 MMT of barley, 1.5 MMT of corn, and 0.5 MMT of other grains and pulses.

Production:

Dry Weather

Although July rainfalls improved grain crop conditions in the central provinces of European Russia, in most provinces of the Volga Valley, the Urals, and Siberia, dryness and hot weather continue to severely damage crop prospects.

Extremely dry conditions were reported in spots in 16 Russian provinces, such as Voronezh, Lipetsk, Tambov, Tula, Orenburg, Astrakhan, Volgograd, Rostov, Penza, Kurgan and Saratov oblasts, in Altay and Stavropol krays and in the republics of Dagestan, Ingushetia and Kalmykia. The total arable land affected by this extreme dryness is estimated at 1.5 million hectares. However, the situation in these provinces and even in different regions of the same province differs significantly. On July 17, 2012, the Ministry of Agriculture reported that an emergency regime connected with these extremely dry conditions has been introduced in 15 regions (almost half of the total) of Saratov oblast, in 11 regions of Kalmykiya Republic, in 15 regions of Stavropol kray, in 7 regions of Rostov oblast and in a large portion of Volgograd oblast. Some fields were also affected by other natural calamities, such as strong hail. In addition, farmers and local phytosanitary officers reported increased area damaged by pests. Locust is found on 4.5 million hectares, and the meadow moth (*Loxostege sticticalis*) was found on 2.4 million hectares. These pest problems are most severe in Orenburg oblast.

In the southern provinces of the Ural Federal District the grain crop has been seriously affected by drought. In Chelyabinsk oblast grain crops have reportedly been lost on almost 472,000 hectares, or 30 percent of sown area. As for Siberia, dry and hot July weather impacted crop conditions in many Siberian provinces. Thus, mass media has reported that in Omsk oblast 150,000 hectares were lost due to drought, and approximately 300,000 hectares are in poor condition, although rains can still help improve the crop. Weather has been dry all over Omsk oblast, including the northern part which typically gets more rain than the rest of the oblast. In Altay kray there has been practically no rain for 2 months, and farmers began harvesting winter grains and pulses 2 weeks earlier than usual. The situation in the northern and the southern part of Altay kray is very poor (the average yields are only 0.4 MT/ha), but in the eastern part of Altay kray it is better as snow cover was thicker and there was more precipitation. Farmers expect to get 1.5 MT/ha in this part of the kray. Further east in Novosibirsk oblast the situation is also difficult although not as poor as in Altay. Estimated losses are within 20 percent of expected crop. Because of heat, part of crop in the south of the oblast was lost.

Crop 2012 Forecasts

Because of the deteriorating conditions of the spring grain crop in Russia, FAS/Moscow has lowered the forecast for Russia's grain crop in 2012 to 81 million metric tons (MMT), compared to 94 MMT for 2011. Wheat production forecast is lowered to 47 MMT from 56 MMT last year, and the barley forecast is lowered to 15 MMT compared with 17 MMT last year. Corn production, however, is still forecast at a record 7.5 MMT as rainfall in key central European Russia growing areas in July was favorable for late spring crops, such as corn. Production of other grains and pulses is forecasted at 11 MMT compared with 13.7 MMT last year.

The Russian Ministry of Agriculture decreased Russia's grain crop forecast to 80-85 million metric tons from the original forecast due to dryness on a significant portion of arable land, as well as other negative factors such as pest infestations and hail damage. However, Agricultural Minister Fedorov has reiterated that the forecasted crop is still close to the 5-year average and is not expected to undermine grain price stability in Russia. As a result, he stated that the Ministry estimates that grain exports will still reach 16-18 MMT.

Industry analysts' forecasts vary widely for Russia's grain crop, ranging from 78 to 90 MMT. June-July rainfalls in the central provinces of European Russia were favorable for grain crops, but the continued and worsening dryness and hot weather in Volga Valley, the Urals and some Siberian provinces continued to negatively impact crop prospects. As a result all industry analysts decreased their forecasts by the end of July compared with June forecasts.

Harvest Progress

Unlike in previous years, so far the Russian Ministry of Agriculture has not published regular reports on the progress of grain harvest. As a result information on the harvest progress is taken from different media articles.

Early hot weather in the spring resulted in winter grain crop development being accelerated and as a result the harvest began about 2 weeks earlier than in the normal year. This earlier harvest is illustrated by the fact that with the influx of new crop grain, Russian grain stocks increased significantly in June (see chart in Stocks section of this report), while typically stocks continue to fall through June. By July 23, 2012, farmers in the Southern and North Caucasus Federal Districts has almost finished harvesting grains, except corn and rice:

- Farmers in Krasnodar kray harvested 5.3 MMT (in bunker weight), from 1.3 million hectares, or 96 percent of area planned to be harvested, with the average yield of 4.0 MT/ha. Their wheat crop (all winter wheat) was harvested from 97 percent of wheat area and was 4.57 MMT (average yield is 4.19 MT/ha). For comparison, last year by July 20 farmers in Krasnodar kray harvested 6.1 MMT of grain (in bunker weight) from 1.1 million hectares with average yield at 5.43 MT/ha, and when they finished harvesting grains by the end of July, the total grain crop in bunker weight (without corn and rice) reached 8.1 MMT with the average yield of 5.54 MT/ha
- Farmers in Stavropol kray harvested 3.7 MMT from 1.68 million hectares, or 90 percent of planned harvest area, with the average yield of 2.2 MT/ha. In 2011, by July 20 farmers harvested 4.8 MMT of grain from 1.3 million hectares with the average yield at 3.8 MT/ha, and by the end of July they almost finished harvesting grain and harvested 6.5 MMT with the average yield at 3.9 MT/ha;
- By July 23, 2012 farmers in Rostov oblast harvested 4 MMT, average yield – 2.4 MT/ha.

All three provinces reported a high share of food quality wheat in the harvested crop. Thus, in Stavropol kray the share of food quality wheat in the wheat crop is 91 percent and in Rostov oblast 83 percent.

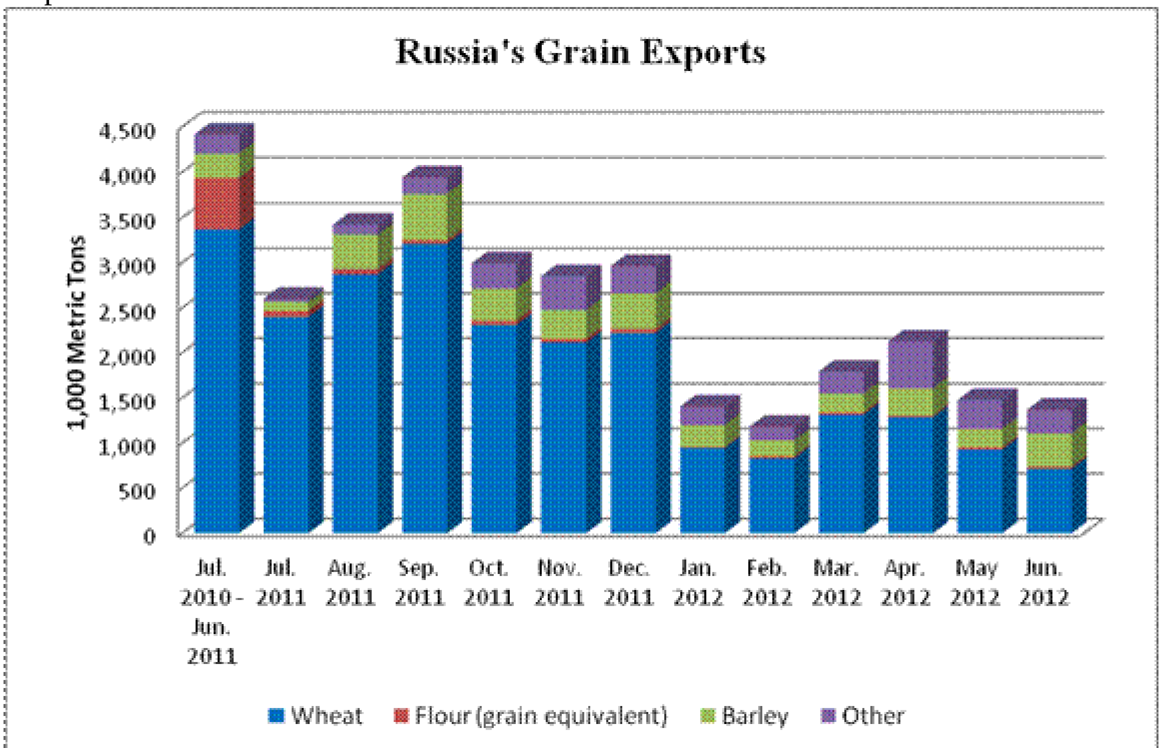
The harvest in the Central European Russia is in full swing, and mass media reported that grain crops are close to average, and in some provinces are above average. Thus, in the beginning of harvesting grain, Kursk oblast reported the average yield at 3.58 MT/ha, Orel oblast – 3.3 MT/ha, and Belgorod oblast – 3.25 MT/ha. Details on the harvest progress in the Central Federal District are not available in the media.

Trade:

Russia's total grain exports in July 2011 – June 2012 were 28.1 MMT, including 21.6 MMT of wheat and flour (in grain equivalent), 3.5 MMT of barley, 1.9 MMT of corn, almost 0.7 MMT of peas, and over 0.4 MMT of other grains, including rye and milled rice.

FAS/Moscow decreased grain exports forecast for MY 2012/13 to 15 MMT as a result of tight stocks and lower production reducing exportable supplies. The grain export forecast includes 11 MMT of wheat, 2 MMT of barley, 1.5 MMT of corn, and 0.5 MMT of other grains and pulses.

Graph



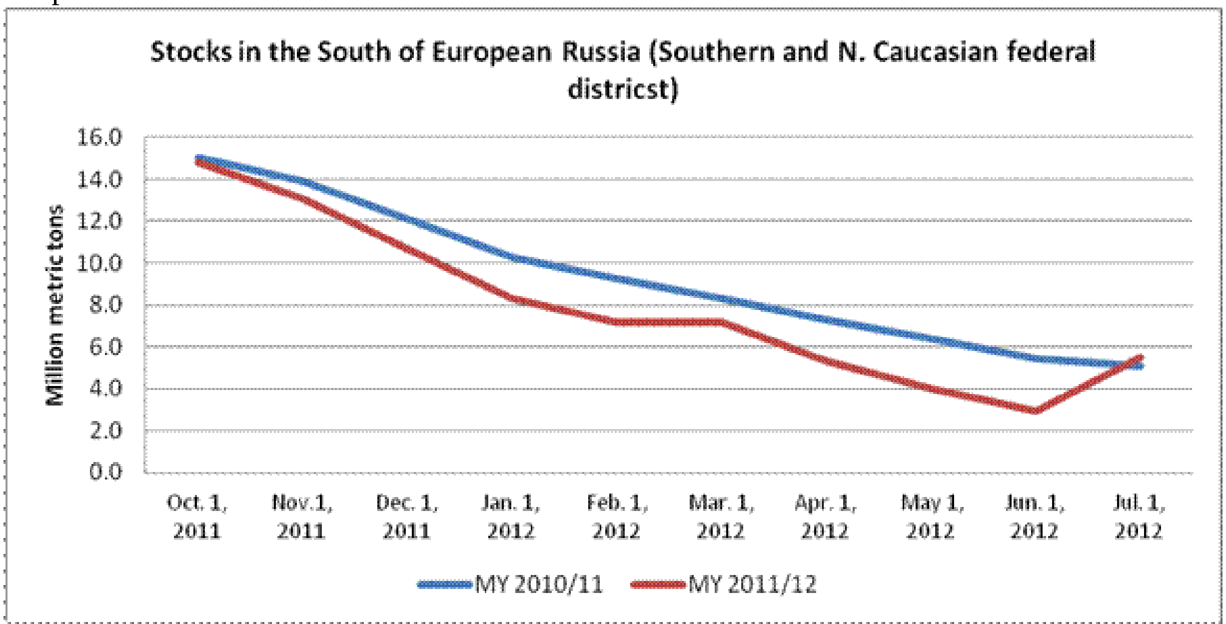
In the July 2012, the first month of the new marketing year, exports had good start and were aided by the earlier harvest which boosted export availability. According to the Russian Ministry of Agriculture, from July 1, 2012 through July 22, 2012, Russia exported 0.9 MMT of grain, including 763,000 MT of wheat, 109,000 MT of barley, 5,000 MT of corn, and 25,000 MT of other crops. In the first three weeks of July 2011 Russia's grain exports were 1,587,000 MT, a significant portion of which was grain accumulated at export elevators during the export ban of 2010/11.

Due to rising grain prices in world markets and an increasing U.S. dollar to Ruble exchange rate, Russian grain traders have strong incentive to export grain. In addition, in 2011 and 2012 several large companies made significant investments in grain export terminals and logistics, and will want to maximize export in order to help recoup their investments.

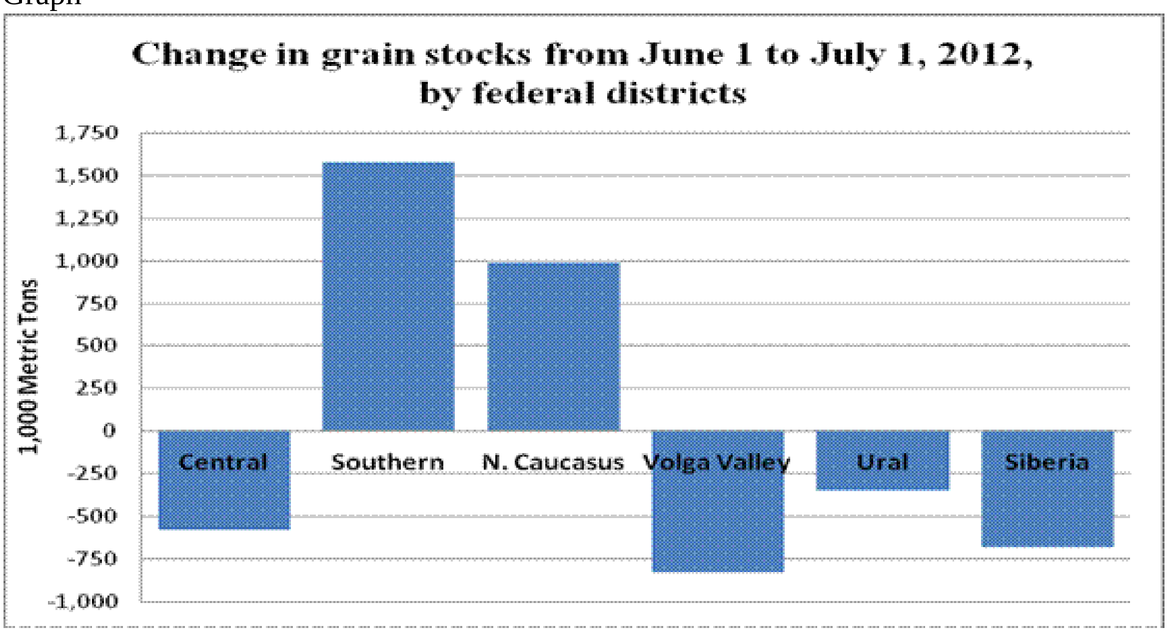
Stocks:

Rosstat reported that at the beginning of marketing year 2012/13, July 1st, Russia's grain stocks in agricultural, storing and processing enterprises increased from June 1, 2012 by 76,000 metric tons to 16.85 MMT. These stocks include 4.9 MMT of intervention grain. However, industry analysts report that these stocks include both carry-over stocks from MY 2011 and grain of new crop. Since harvest in the south of European Russia this year began in the middle of June, almost 2 weeks earlier than last year, grain of new crop comprises a significant portion of stocks in this area.

Graph



Graph



Some industry analysts estimate Russia's carry-over stocks at the end of MY 2011/12 at 13 MMT without grain stored at small farms, and at 15 MMT with grain stored at small farms. Rosstat July data on stocks does not include grain stored at small farms and households, which may add up to 3 MMT, and will not be estimated by Rosstat earlier than August 2012.

Policy:

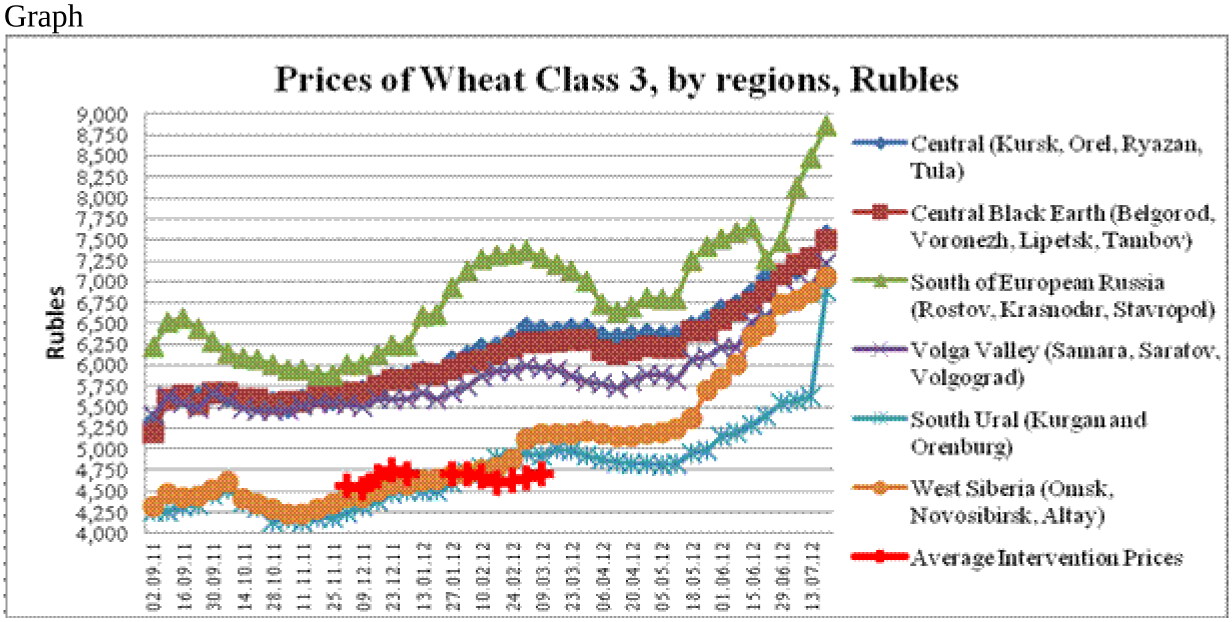
The Russian Ministry of Agriculture has reported that the government does not envisage any restrictive measures on grain exports. In the middle of July the Russian Government has approved the State Program on Development of Agriculture in 2013-2020, which envisages support of crop production. However, the Program has not been published yet, and the details of this support are not available to the public, although the key focus of Russian agricultural policy seems to be to continue supporting the livestock sector. At the moment the attention of Russian policy makers is targeted towards adjusting of Russian agriculture to WTO requirements.

Marketing:

<u>Prices</u>

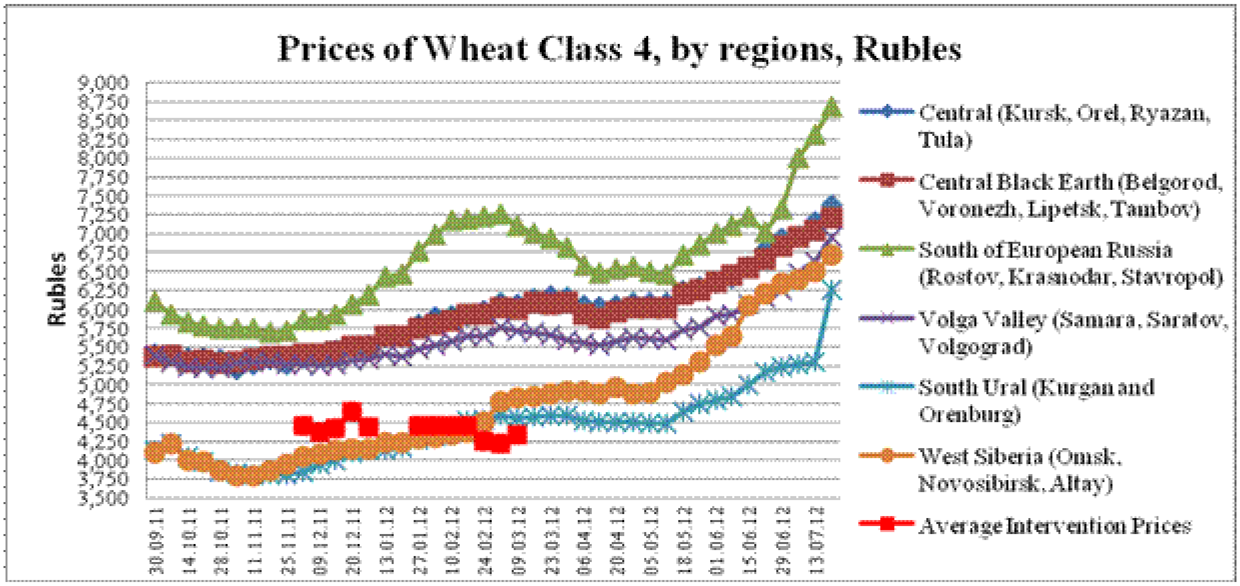
Russian's domestic grain prices continue increasing and are being supported both by rising world grain prices as well as deteriorating crop prospects in Russia. Wheat prices in the Southern and North Caucasian federal districts, Russia's major grain exporting regions, increased from last month by 18 percent to 8,870 rubles ($274) per MT for milling quality wheat of Class 3 and 8,680 rubles ($268) per MT for milling quality wheat Class 4. In other regions, which are not export-oriented, wheat prices were increasing also, but the maximums were almost 1,250 rubles ($39) per MT lower than in the South of European Russia. Industry analysts report that in the end of July farmers in the Central Federal District also began selling grain of new crop, and because of this the increase in wheat prices has slowed down.

Graph



Source: ProZerno

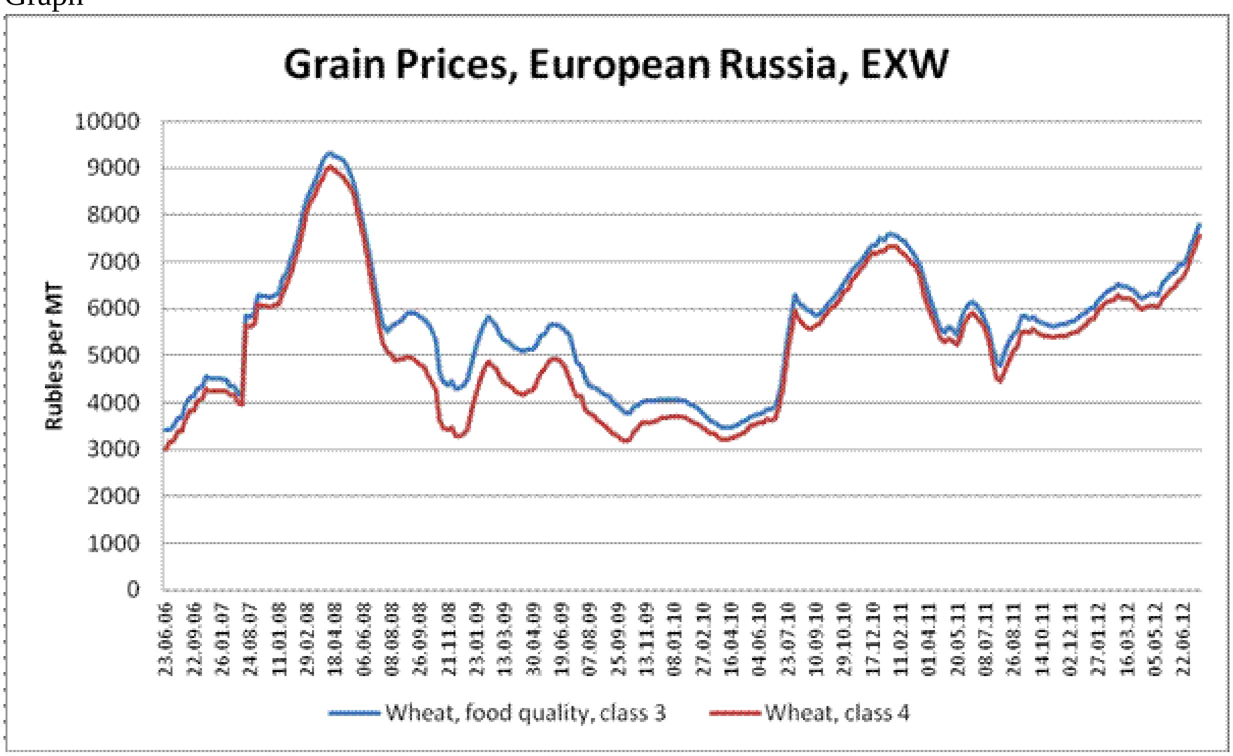
Graph



Source: ProZerno

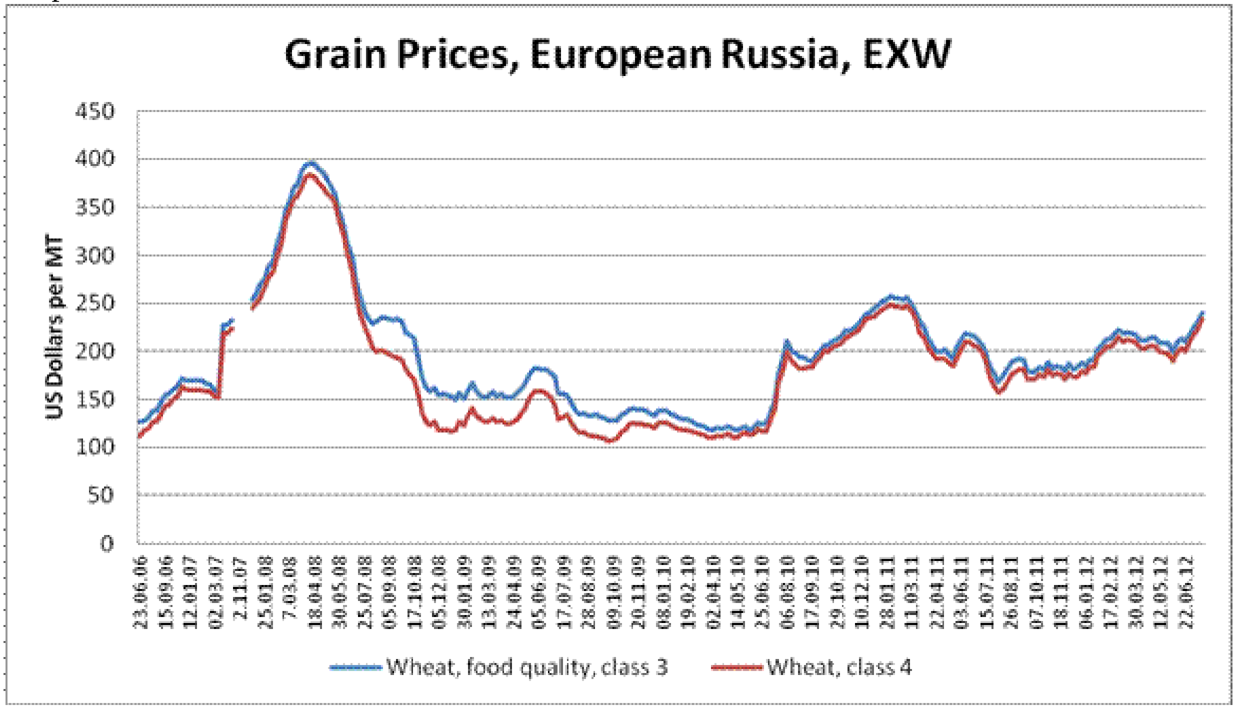
Historic data on wheat prices in the European Russia show that wheat prices (in rubles) in July 2012 have not reached the highs of late winter 2008, but had already exceeded the level of prices in January 2011. In the U.S. Dollars wheat prices in European Russia are still significantly lower than the 2008 peak.

Graph



Source: proZerno

Graph



Source: ProZerno

Production, Supply and Demand Data Statistics :

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	21,750	21,750	24,900	24,900	24,500	24,500
Beginning Stocks	14,722	14,257	13,736	13,271	10,267	10,002
Production	41,508	41,508	56,231	56,231	49,000	47,000
MY Imports	89	89	100	100	200	200
TY Imports	89	89	100	100	200	200
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	56,319	55,854	70,067	69,602	59,467	57,202
MY Exports	3,983	3,983	21,300	21,600	12,000	11,000
TY Exports	3,983	3,983	21,300	21,600	12,000	11,000
Feed and Residual	16,000	16,000	16,000	15,500	15,500	15,000
FSI Consumption	22,600	22,600	22,500	22,500	22,400	22,200
Total Consumption	38,600	38,600	38,500	38,000	37,900	37,200
Ending Stocks	13,736	13,271	10,267	10,002	9,567	9,002
Total Distribution	56,319	55,854	70,067	69,602	59,467	57,202
1000 HA, 1000 MT, MT/HA						

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	4,970	4,970	7,700	7,700	8,100	8,100
Beginning Stocks	2,395	2,389	1,386	1,380	871	945
Production	8,350	8,350	16,935	16,935	15,500	15,000
MY Imports	408	408	350	430	400	400
TY Imports	411	411	200	400	400	400
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	11,153	11,147	18,671	18,745	16,771	16,345
MY Exports	267	267	3,500	3,500	2,000	2,000
TY Exports	969	969	3,200	3,200	2,000	2,000
Feed and Residual	5,500	5,500	9,800	9,800	9,300	8,900
FSI Consumption	4,000	4,000	4,500	4,500	4,400	4,500
Total Consumption	9,500	9,500	14,300	14,300	13,700	13,400
Ending Stocks	1,386	1,380	871	945	1,071	945
Total Distribution	11,153	11,147	18,671	18,745	16,771	16,345
1000 HA, 1000 MT, MT/HA						

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	1,020	1,020	1,550	1,550	1,900	1,900
Beginning Stocks	122	160	72	94	102	124
Production	3,075	3,075	6,680	6,680	7,800	7,500
MY Imports	112	108	50	50	50	50
TY Imports	112	108	50	50	50	50
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	3,309	3,343	6,802	6,824	7,952	7,674
MY Exports	37	49	2,200	2,200	1,500	1,500
TY Exports	37	49	2,200	2,200	1,500	1,500
Feed and Residual	2,800	2,800	3,800	3,800	5,200	5,000
FSI Consumption	400	400	700	700	900	900
Total Consumption	3,200	3,200	4,500	4,500	6,100	5,900
Ending Stocks	72	94	102	124	352	274
Total Distribution	3,309	3,343	6,802	6,824	7,952	7,674
1000 HA, 1000 MT, MT/HA						

Rice, Milled Russia	2010/2011		2011/2012		2012/2013	
	Market Year Begin: Jan 2011		Market Year Begin: Jan 2012		Market Year Begin: Jan 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	201	202	207	207	210	210
Beginning Stocks	55	55	89	89	96	81
Milled Production	690	690	682	682	700	715
Rough Production	1,062	1,062	1,049	1,049	1,077	1,100
Milling Rate (.9999)	6,500	6,500	6,500	6,500	6,500	6,500
MY Imports	176	176	175	170	200	200
TY Imports	176	176	175	170	200	200
TY Imp. from U.S.	3	0	0	0	0	20
Total Supply	921	921	946	941	996	996
MY Exports	142	142	150	160	150	150
TY Exports	142	142	150	160	150	150
Consumption and Residual	690	690	700	700	750	750
Ending Stocks	89	89	96	81	96	96

Total Distribution	921	921	946	941	996	996
1000 HA, 1000 MT, MT/HA						

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	1,380	1,380	1,520	1,520	1,550	1,550
Beginning Stocks	308	360	250	282	169	171
Production	1,642	1,642	2,969	2,969	3,000	2,700
MY Imports	150	150	0	0	0	0
TY Imports	150	150	0	0	0	0
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	2,100	2,152	3,219	3,251	3,169	2,871
MY Exports	0	0	150	230	100	50
TY Exports	21	21	150	230	100	50
Feed and Residual	100	100	200	200	300	150
FSI Consumption	1,750	1,770	2,700	2,650	2,500	2,500
Total Consumption	1,850	1,870	2,900	2,850	2,800	2,650
Ending Stocks	250	282	169	171	269	171
Total Distribution	2,100	2,152	3,219	3,251	3,169	2,871
1000 HA, 1000 MT, MT/HA						

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	2,240	2,240	2,930	2,930	3,000	3,000
Beginning Stocks	397	428	167	194	496	523
Production	3,218	3,218	5,334	5,334	5,000	4,500
MY Imports	4	0	0	0	0	0
TY Imports	4	0	0	0	0	0
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	3,619	3,646	5,501	5,528	5,496	5,023
MY Exports	2	2	5	5	5	5
TY Exports	1	1	5	5	5	5
Feed and Residual	2,050	2,050	3,500	3,500	3,600	3,200
FSI Consumption	1,400	1,400	1,500	1,500	1,500	1,500
Total Consumption	3,450	3,450	5,000	5,000	5,100	4,700
Ending Stocks	167	194	496	523	391	318
Total Distribution	3,619	3,646	5,501	5,528	5,496	5,023
1000 HA, 1000 MT, MT/HA						

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	170	170	630	630	400	400
Beginning Stocks	0	0	0	0	0	0
Production	131	131	878	878	450	400
MY Imports	0	0	0	0	0	0
TY Imports	0	0	0	0	0	0

TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	131	131	878	878	450	400
MY Exports	0	0	0	0	0	0
TY Exports	0	0	0	0	0	0
Feed and Residual	5	5	578	578	200	150
FSI Consumption	126	126	300	300	250	250
Total Consumption	131	131	878	878	450	400
Ending Stocks	0	0	0	0	0	0
Total Distribution	131	131	878	878	450	400
1000 HA, 1000 MT, MT/HA						