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Grain and Feed July Update

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Report Highlights:
Dryness and hot weather in key winter grain growing areas has negatively impacted crop prospects in Russia. As a result the FAS/Moscow forecast for Russia's grain crop in MY 2012/13 is lowered to 86 million metric tons (MMT), compared to 88 MMT last month and 94 MMT for MY 2011/12. This total includes 51 MMT of wheat, 16 MMT of barley, 7.5 MMT of corn, and 11.5 MMT of other grains and pulses. The grain export forecast is also lowered to 18 MMT (compared to 27.9 MMT last year), including 14 MMT of wheat, 2 MMT of barley, 1.5 MMT of corn, and 0.5 MMT of other grains and legumes.

Production:

2012 crop forecasts

FAS/Moscow decreased the grain crop forecast from the previous forecast to 86 MMT (from 88 MMT), including 51 MMT of wheat, 15.5 MMT of barley, 7.5 MMT of corn, 2.7 MMT of rye, 5.0 MMT of oats, and 4.2 MMT of other grains and pulses. Industry experts' forecasts of Russian grain crop in 2012 vary from a low of 80 - 81 MMT to a high of 91 MMT.

The Russian Ministry of Agriculture (MA) decreased its grain crop forecast all the way to 85 million metric tons (MMT) from the previous forecast of "over 90 MMT" as a result of winter kill and unfavorable spring weather (hot and dry) in the major grain producing provinces of European Russia. The forecast is based primarily on the Russian Hydrometeorological Service (RosHydromet) reports.

According to RosHydromet, winter grain crop production in the Southern and North Caucasus Federal Districts (FD) has decreased by at least 10 percent from the average because of continued soil dryness and low precipitation. The development (vegetation) of winter grains in the South of European Russia was accelerated by 10-20 days this due to the early onset of a hot spring, but the crop condition is considerably worse than last year. This dry and hot weather comes on top of the fact that winter crops in some provinces of the North Caucasus FD and in Kalmykiya (Southern FD) suffered from adverse winter weather, with a combination of winter frosts and thin snow coverage damaging the crops.

In addition to those Southern districts, a hot and dry spring also affected winter crops in some provinces of the Central and Volga Valley FDs, such as Belgorod, Voronezh, Kursk, Orenburg and Saratov oblasts. June rainfalls in the Central, Southern and North Caucasus Federal Districts and in some provinces of the Volga Valley Federal Districts were likely too late to improve the winter crops and early-spring crops (such as barley) yields. According to RosHydroMet, despite rainfall at the end of June the stands of spring barley were short, and the number of tillers was smaller than last year. However, these late June rains were favorable for the late-spring crops, such as corn and sunflowerseeds.

Grain sown area

According to the Ministry of Agriculture, area sown to spring grains was 30.1 million hectares, 0.4 million hectares more than in 2011. The Ministry of Agriculture estimates the total grain area (spring and winter) at 44.8 million hectares. Some industry analysts believe that winter crops were killed on more than 11 percent of winter grain area (the Ministry's estimate is only 6 percent) and that the total grain area in Russia is not higher than 44.3 million hectares.

Harvest begins

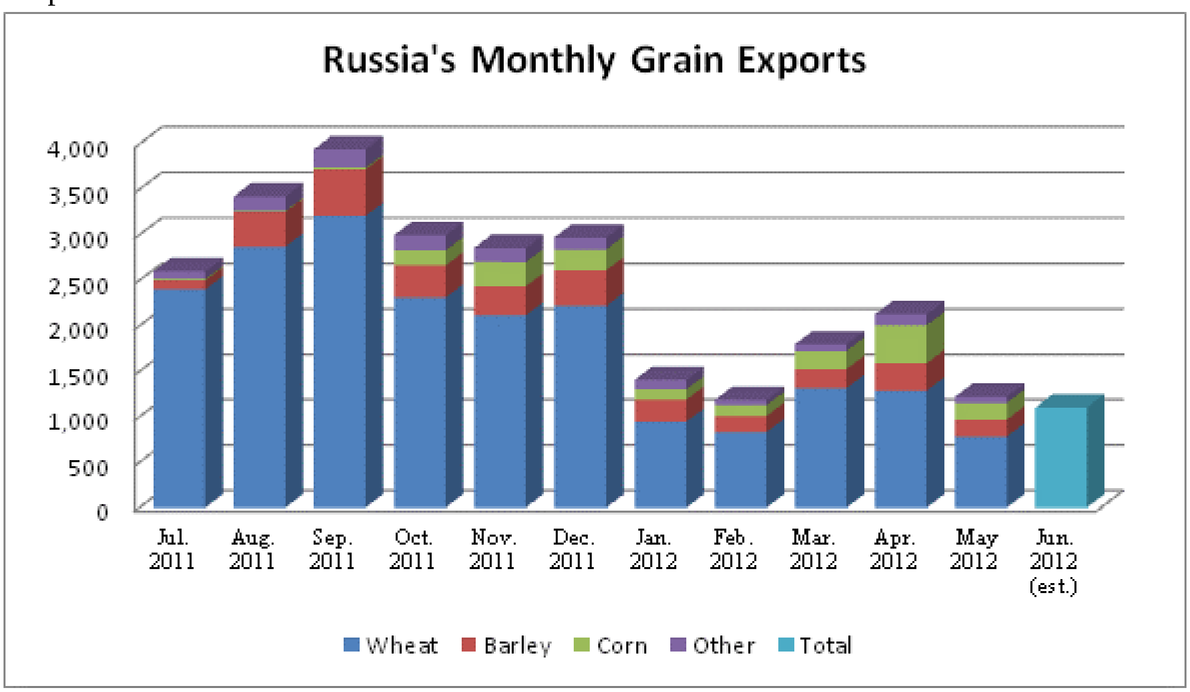
Harvesting began in Krasnodar and Stavropol krays on June 19, or 10 days earlier than typical as hot and dry spring weather accelerated the speed of development of these crops. Since the first crop harvested is winter barley, and this crop suffered the most from winterkill, preliminary reported yields are much below the last year. Thus, by June 21 farmers in Krasnodar kray harvested 107,000 metric tons of grain (mostly barley) with yields 30 percent below last year's. Some farms report that winter wheat yields vary from 3.0 to 3.5 MT per hectare, while in 2011 they were 5.0-6.0 MT per hectare. However, as the harvest has progressed yields have improved and by the end of June yields of harvested grains in Krasnodar kray were only 20 percent below the last year's yields on the same date. Early reports from Stavropol kray were average yields at 40 percent below last year's. As of June 28, farmers in the Southern and North Caucasus federal districts harvested 3 MMT of grain, including 1.3 MMT in Stavropol kray, over 1 MMT in Krasnodar kray, and approximately 1 MMT in Rostov oblast.

Trade:

FAS/Moscow forecasts Russia's grain exports in MY 2012/2013 at 18 MMT, down sharply from the 27.9 MMT in 2011/12 as a result of lower production and tight grain stocks in key growing areas. The 18 MMT estimate includes 14 MMT of wheat, 2 MMT of barley, 1.5 MMT of corn, and 0.5 MMT of other grains and pulses. Russian Ministry of Agriculture forecasts grain exports at 20 MMT, and industry experts' forecasts vary from 15 to 22 MMT.

Grain exports in MY 2011/12 is estimated at 27.9 MMT, including 27.0 MMT of grain, such as wheat, barley and corn, and 0.9 MMT of rice, rye, and pulses. Grain exports in May 2012 were 1.2 MMT, the lowest month since grain exports were restarted in July 2011. The sharp decrease of exports is due to depleted grain stocks in the Southern European Russia, the main grain exporting region, and increased domestic prices. Industry analyst report that a significant portion of grain exports in May were from grain that had come from the State intervention grain stored in provinces of European Russia. The federal intervention fund stopped selling grain on May 6th, 2012.

Graph



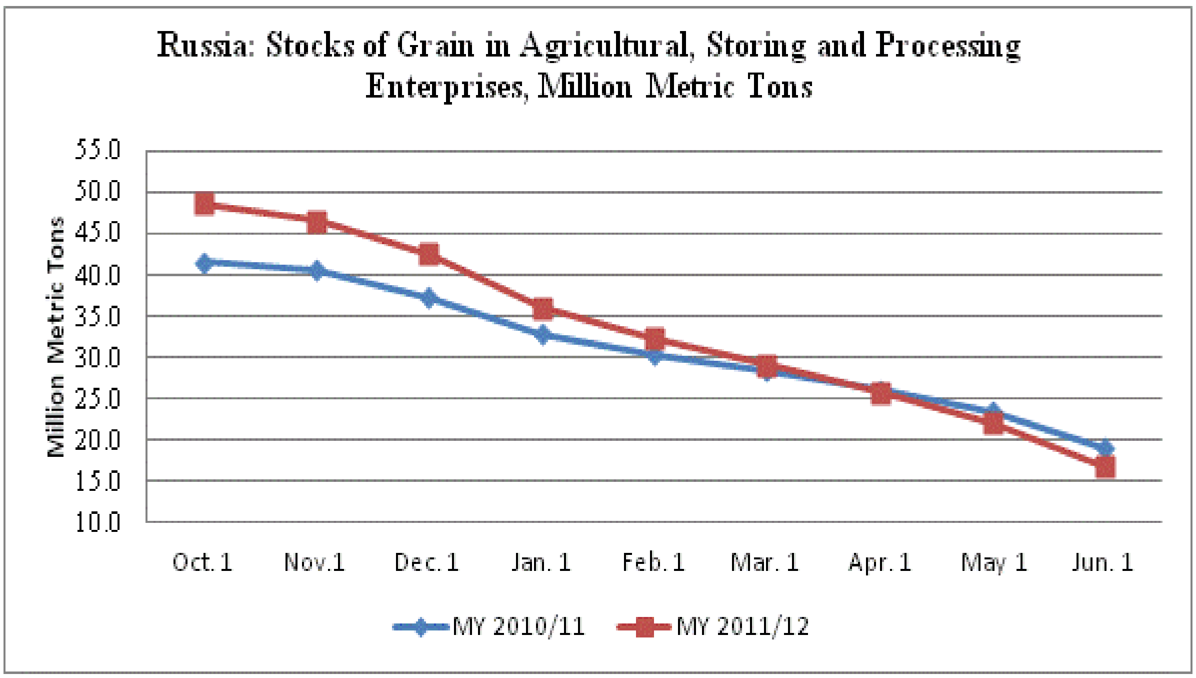
Stocks:

Very strong grain exports in MY 2011/12 resulted in a depletion of Russia's grain stocks, especially in the Southern and North Caucasus Federal Districts, the major grain exporting regions of Russia.

According to Rosstat, by June 1, 2012, Russia's grain stocks at farms and grain processing and trading enterprises and warehouses decreased from their post-harvest maximum of 48.7 MMT on October 1, 2011 to 16.8 MMT. This was 2.24 MMT less than on June 1, 2011. These stocks do not include stocks at private peasant farms and households, and the Russian State Statistical Service (Rosstat) usually includes estimates of stocks at these farms only when it corrects data in August. However the trend in stocks movement is clear and in the South of European Russia (Southern and North Caucasus federal districts) grain stocks dropped from 14.8 MMT on October 1, 2011 to 2.9 MMT on June 1, 2012, and the decrease was sharper than in the previous year when the grain export ban was in force.

The Ministry of Agriculture reported that despite lower than expected grain crop, the government does not expect a grain deficit as stocks are ample and include about 4.9 MMT of grain in the intervention. If necessary this intervention grain will be used for domestic price regulation.

Graph



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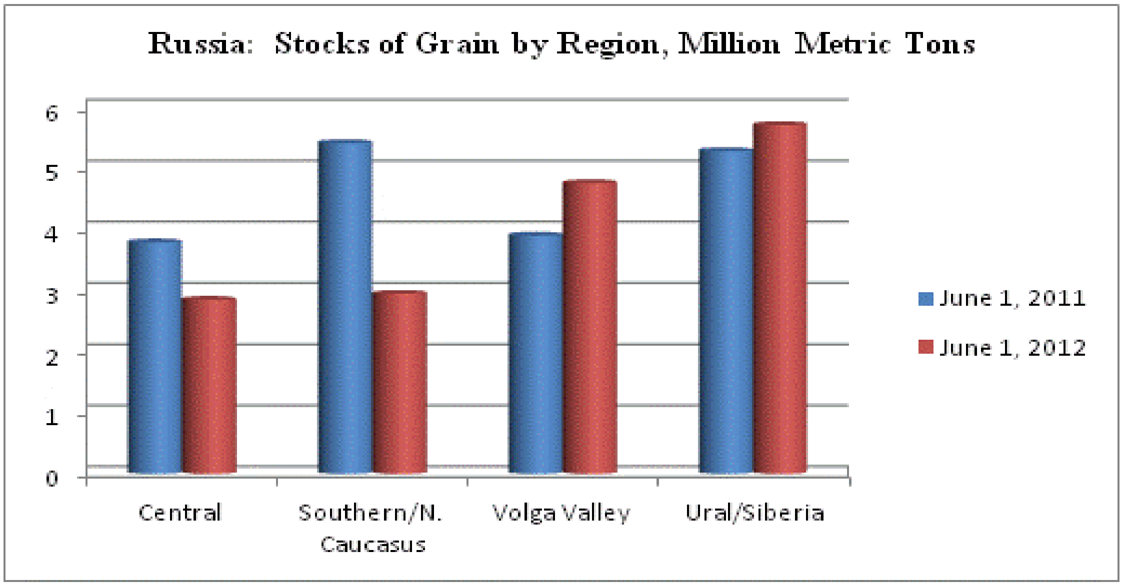
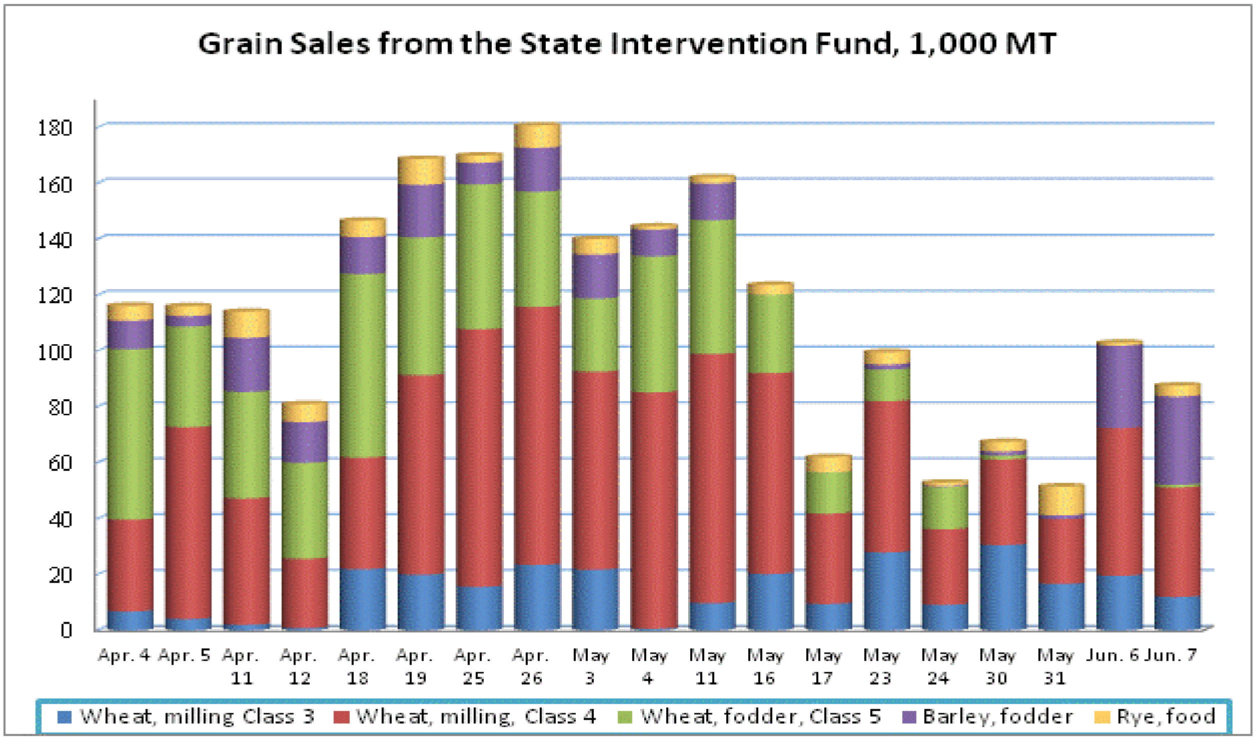


Policy:
The Ministry of Agriculture decided to end grain commodity interventions for this marketing year (United Grain Company's letter of June 19, 2012 #04-07/5298). During the course of intervention sales from April 4 through June 7, the Government sold 2.2 MMT for 11.88 billion rubles (approximately $360). In this period government sold 271,200 MT of milling wheat Class 3, 1,044,033 MT of milling wheat Class 4, 572,227 MT of fodder wheat Class 5, 207,741 MT of fodder barley, and 93, 287 MT of food rye.

The Government has not yet adopted the new Agriculture Development Program for 2013-2020, and adjusts it to mitigate the WTO effect. Proposed measures cover primarily support of animal production and large farms that have accumulated huge debts when investing in livestock production. As for support of crop production farms, the proposed measures are either temporary, such as extension of support of fertilizer and fuel prices through the end of CY 2012, or apply to all agriculture, such as partial financing of purchase of new equipment, support of investments into irrigation, and others. According to many industry specialists, these measures will not allow crop farmers to increase their own investments into production.

Graph

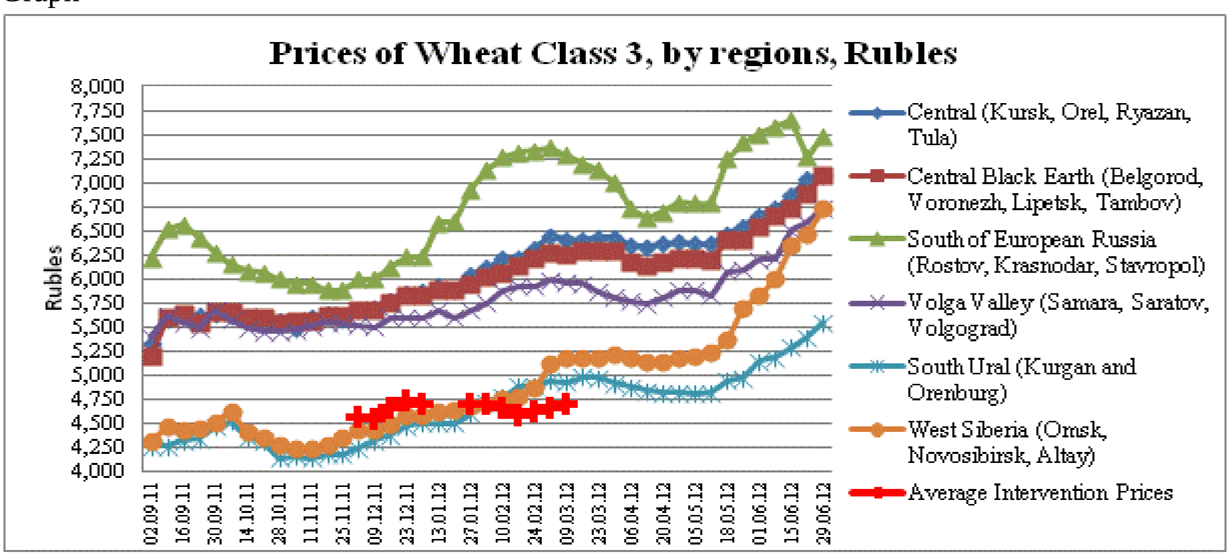


Marketing:

<u>Prices</u>

Prices of wheat of milling quality continued rising all over Russia. In Southern European provinces (Rostov, Krasnodar, Stavropol) the start of harvesting put downward pressure on prices despite poor crop prospects, but then the rise of prices resumed.

Graph



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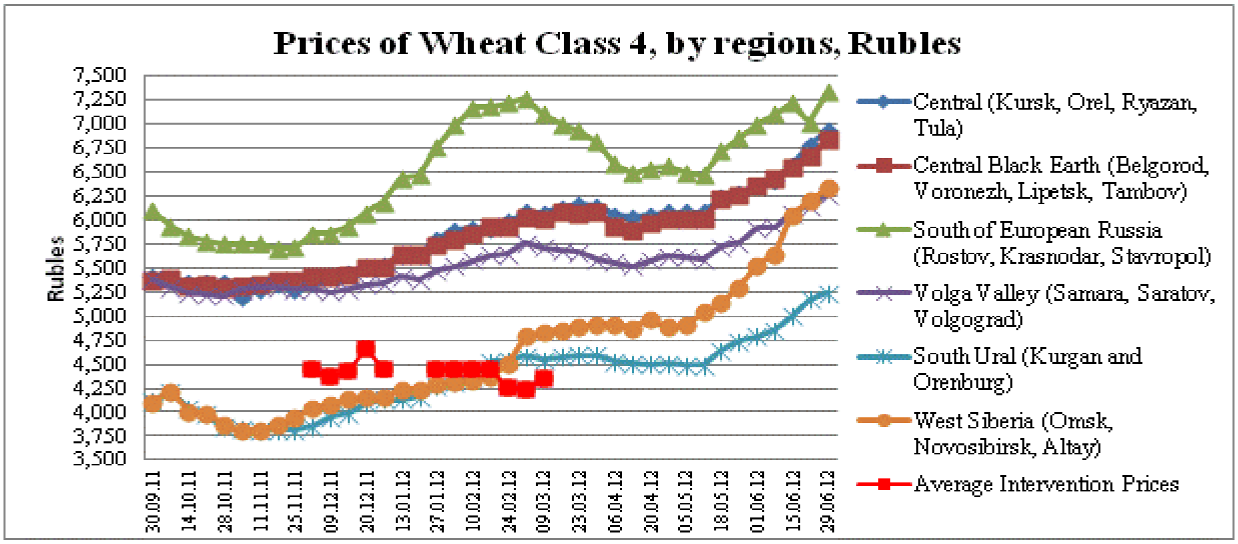

Production, Supply and Demand Data Statistics :

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	25,500	25,500
Beginning Stocks	14,722	14,257	13,736	13,271	10,667	10,202
Production	41,508	41,508	56,231	56,231	53,000	51,000
MY Imports	89	89	200	200	200	200
TY Imports	89	89	200	200	200	200
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	56,319	55,854	70,167	69,702	63,867	61,402
MY Exports	3,983	3,983	21,000	21,300	16,000	14,000
TY Exports	3,983	3,983	21,000	21,300	16,000	14,000
Feed and Residual	16,000	16,000	16,000	15,700	15,500	15,500
FSI Consumption	22,600	22,600	22,500	22,500	22,400	22,400
Total Consumption	38,600	38,600	38,500	38,200	37,900	37,900
Ending Stocks	13,736	13,271	10,667	10,202	9,967	9,502
Total Distribution	56,319	55,854	70,167	69,702	63,867	61,402
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	8,200	8,200
Beginning Stocks	2,395	2,389	1,386	1,380	921	915
Production	8,350	8,350	16,935	16,935	16,500	16,000
MY Imports	408	408	200	350	200	300
TY Imports	411	411	200	350	200	300
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	11,153	11,147	18,521	18,665	17,621	17,215
MY Exports	267	267	3,300	3,500	2,200	2,000
TY Exports	969	969	2,900	3,200	2,200	2,000
Feed and Residual	5,500	5,500	9,800	9,750	9,800	9,800

FSI Consumption	4,000	4,000	4,500	4,500	4,500	4,500
Total Consumption	9,500	9,500	14,300	14,250	14,300	14,300
Ending Stocks	1,386	1,380	921	915	1,121	915
Total Distribution	11,153	11,147	18,521	18,665	17,621	17,215
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	2,000	2,200	1,500	1,500
TY Exports	37	49	2,000	2,200	1,500	1,500
Feed and Residual	2,800	2,800	4,000	3,800	5,200	5,000
FSI Consumption	400	400	700	700	900	900
Total Consumption	3,200	3,200	4,700	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	0
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	191
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	2,891
MY Exports	0	0	150	160	100	50

TY Exports	21	21	150	160	100	50
Feed and Residual	100	100	200	200	300	150
FSI Consumption	1,750	1,770	2,700	2,700	2,500	2,500
Total Consumption	1,850	1,870	2,900	2,900	2,800	2,650
Ending Stocks	250	282	169	191	269	191
Total Distribution	2,100	2,152	3,219	3,251	3,169	2,891
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	500	500
Beginning Stocks	0	0	0	0	0	0
Production	131	131	878	878	600	500
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	600	500
MY Exports	0	0	0	0	0	0
TY Exports	0	0	0	0	0	0
Feed and Residual	5	5	578	578	300	200
FSI Consumption	126	126	300	300	300	300
Total Consumption	131	131	878	878	600	500
Ending Stocks	0	0	0	0	0	0
Total Distribution	131	131	878	878	600	500
1000 HA, 1000 MT, MT/HA						