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Date: 8/28/2012
GAIN Report Number: RS1252

Russian Federation

Post: Moscow

Grain and Feed September Update

Report Categories:
Grain and Feed

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Report Highlights:
Drought in key spring wheat growing regions such as the Urals has continued to negatively impact the Russian grain crop in 2012. The FAS/Moscow forecast for Russia's grain crop is lowered to 73 million metric tons (MMT), compared to 94 MMT for 2011 and 61 MMT in drought-impacted 2010. This total includes 41 MMT of wheat, 14 MMT of barley, 7.2 MMT of corn, and 11 MMT of other grains and pulses. Lower production and tight stocks are reducing exportable supplies, but high global grain prices are stimulating Russian traders to export as much grain as they can early in the marketing year because of uncertainty about the market situation later in the year. From the beginning of July through mid-August 2012, Russia has already exported over 3.3 MMT of grain, and industry specialists forecast continued large exports in the second half of August and in September. The FAS/Moscow forecast for Russia's grain exports is lowered to 11.5 MMT compared to the record 28.1 MMT in 2011/12. This total includes 8 MMT of wheat 1.5 MMT of barley, 1.5 MMT of corn, and 0.5 MMT of other grains and pulses.

Production:

Crop 2012 Forecast

Due to a very poor spring wheat crop in the Urals, the FAS/Moscow forecast for Russia's grain crop in 2012 is lowered to 73 million metric tons (MMT), compared to 94 MMT for 2011. This total includes 41 MMT of wheat, 14 MMT of barley, 7.2 MMT of corn, and 11 MMT of other grains and pulses.

The Russian Ministry of Agriculture reported that as of August 23, 2012 Russian farmers harvested 50 MMT of grain and legumes. Despite the harvest this year being 2 weeks earlier than typical, the harvested volume of wheat as of this date was only 30 MMT, compared to over 36 MMT on this date last year. The average wheat yield is 2.1 MT/Ha, compared with 3.02 MT/Ha in 2011 and 2.3 MT/Ha in 2010.

Regarding harvest progress, so far in 2012 the Russian Ministry of Agriculture has not published regular information, while the information published by the Russian Federal Statistical Service (Rosstat) is delayed and the most recent data is only from early August. As of August 7th, Russian farmers had harvested 37.1 MMT of grains and pulses (compared to 38.7 MMT at this date in 2011) from 17.1 million hectares (12.9 million hectares in 2011) which is 38 percent of the planned harvested area. The average yield is 2.17 MT/ha compared with 3.0 MT/ha in 2011. This crop includes 25.4 MMT of wheat (winter and spring) harvested from 10.8 million hectares or 44 percent of planned harvest area, with the average yield of 2.32 MT/ha. At the same time last year farmers harvested 30 MMT of wheat from 9.1 million hectares. The barley crop harvested by August 8, 2012 was 7.1 MMT from 3.4 million hectares, or 39 percent of planned harvest area. On the same date in 2011 farmers harvested 5.1 MMT of barley from 1.9 million hectares. (Note: Harvest progress data is in bunker weight which is 4-8 percent higher than clean weight)

Drought

Harvesting has now shifted from winter grains in European Russia to spring grains in the Urals and Siberia, and production prospects in these regions, especially for wheat, are poor. In most provinces of the Ural Federal District the yields of wheat are below 1.0 MT/ha, and could be one of the smallest crops in decades. The crop in Siberia is also significantly below average, although not as poor as in the Urals. The wheat yields in Kurgan oblast so far is 0.86 MT/ha, in Chelyabinsk – 0.6 MT/ha, in Omsk oblast – 0.8 MT/ha, in Novosibirsk oblast – 0.98 MT/ha, and in Altay kray – 0.85 MT/ha.

According to the Russian Ministry of Agriculture, as of August 21, 2012, the spring and summer drought had caused lost crops in 21 Russian provinces of Russia on an area of over 5.7 million hectares or 7.6 percent of the total crop area (with grain crops completely lost on 4.5 million hectares). The most seriously affected provinces are the following: Orenburg – 908,000 hectares of lost crops, Volgograd – 660,000 hectares, Altay kray – 577,000 hectares, and Bashkortostan republic – 570,000 hectares. Because of the drought, emergency status has been pronounced in 10 Russian provinces, and the provincial authorities estimate these losses at 37 billion rubles ($1.2 billion), which, according to the Ministry of Agriculture, "still need to be confirmed by the complex expertise of the Russian Ministry of Agriculture". As of August 21 only 14 provinces (including 5 provinces from the Volga Valley Federal District) appealed to the Russian Government for support, and only 5 submitted documents to the Russian Ministry of Agriculture for evaluation of their losses.

Wheat

The wheat crop in 2012 is a major concern of the domestic milling industry and exporters, and some estimate that the wheat crop in Russia in 2012 may be even lower than the 41.5 MMT in the drought–stricken 2010 due to the following reasons:

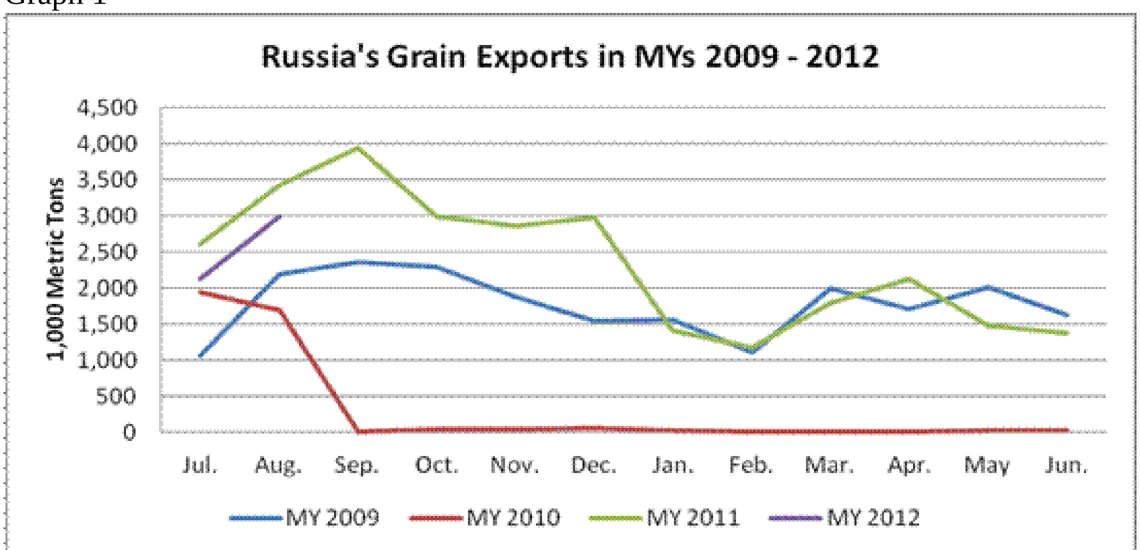
- The total wheat sown area in 2012 is almost 2 million hectares less than in 2010 as a result of low prices at planting time;
- Wheat yields in the South of European Russia, the major producer of winter wheat, are lower in 2010.
- For spring wheat, production in the Urals and Siberia are also expected below 2010, although spring wheat production in the Volga Valley is much higher this year.

Despite an expected smaller wheat crop than in 2010 (when grain exports were banned), the production of other grains is forecast significantly higher than that year as spring crops in European Russia were not as impacted by dryness as the winter grains. Barley production in 2012 is forecast at nearly 70 percent higher than in 2010, and the corn crop in Russia in 2012 is forecast at a record level, more than double the level of 2010.

Trade:

Despite the much smaller crop and tightening grain stocks in the Southern and North Caucasus Federal Districts (the primary grain exporting regions of Russia), Russian traders have begun very strong exports of grain in July, with high volumes also in August. In July, Russia exported 2.13 MMT of grain, including 1.8 MMT of wheat and 219,000 MT of barley, 53,000 MT of pulses, and approximately 53,000 MT of other grains and wheat flour in grain equivalent. For wheat, this is the second highest export volume for July in history (with 2011 being the highest). In the first half of August, Russia exported 1.3 MMT of grain, including 1.05 MMT of wheat, 204,000 MT of barley and 11,000 MT of other grains and legumes.

Graph 1



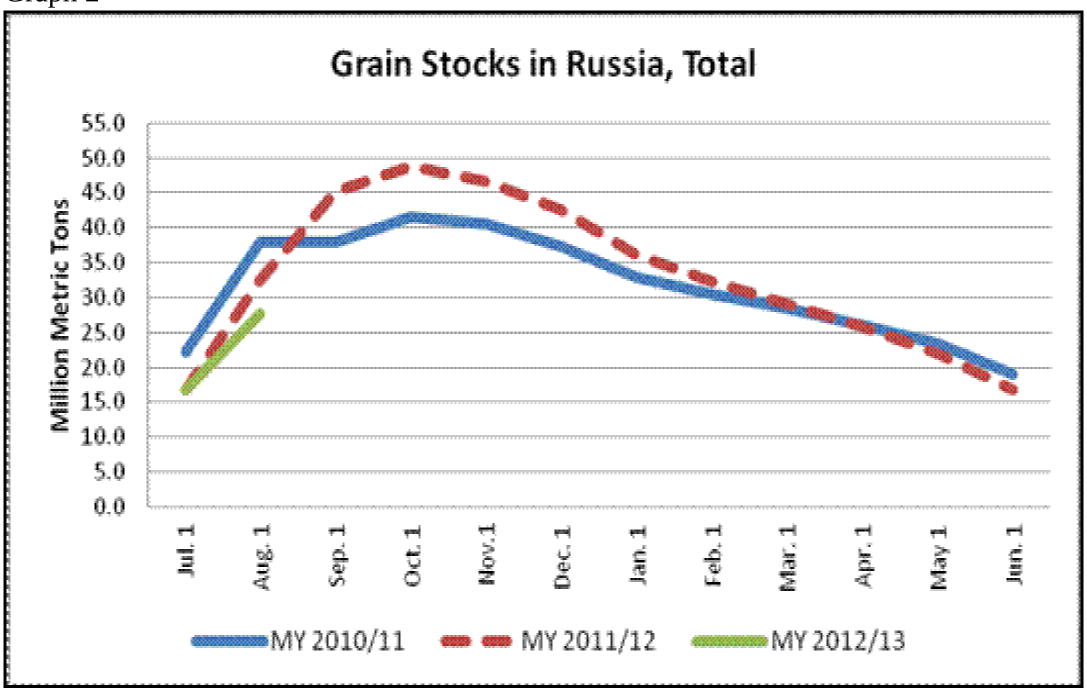
Source: Russian Customs Data and FAS/Moscow estimate for August 2012

Note: In August 2010 exports dropped because of a grain export ban that was imposed on August 15, 2010, and continued until July 1, 2011. From August 15, 2010 through June 30, 2011, only grain for humanitarian purposes was allowed to be exported, and beginning February 2011 – wheat flour.

Stocks:

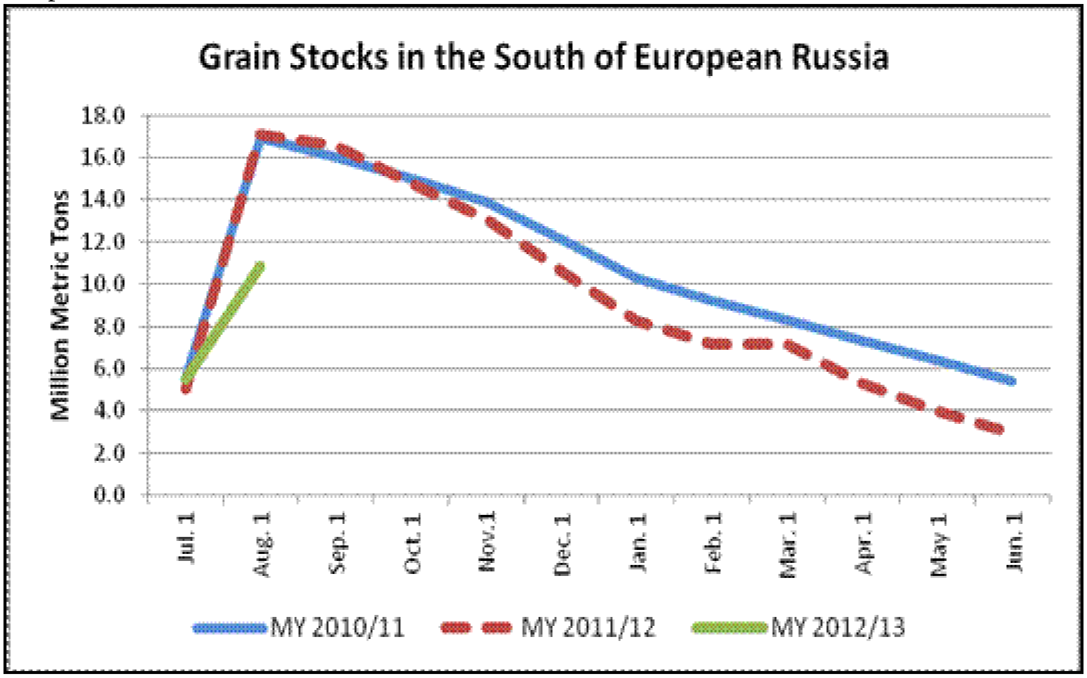
Russian State Statistical Service (Rosstat) reported that on August 1st, Russia's grain stocks in agricultural, storing and processing enterprises increased from July 1st, 2012 by 10.8 MMT to 27.7 MMT. However, these stocks are 15 percent lower than the August 1st stocks in 2011. The distribution of stocks by federal districts shows that Russia's exportable supply is much lower than last year as grain stocks in Southern European Russia, the primary exporting regions, on August 1, 2012 are lower significantly lower than last year by 32 and 46 percent respectively. Grain stocks in the Southern Federal district are at 7.7 MMT, 32 percent lower than at this point last year, and in the North Caucasus Federal district at 3.1 MMT, 46 percent lower than in 2011. Farmers in these districts usually complete most grain harvesting by the beginning of August, and as a result grain stocks are typically at their yearly maximum at this time.

Graph 2



Source: Rosstat 2012

Graph 3



Source: Rosstat 2012

Policy:

No Measures on Curbing Grain Exports

As has been reported in mass media, on August 8, 2012 the Special Commission on the Food Security at the Government of the Russian Federation discussed the grain supply situation. As a result of these discussions the Government decided not to take any measures on restricting grain exports. The first Deputy Prime Minister, Artkady Dvorkovich, reported that the grain crop is forecasted at 75 – 80 MMT, and this crop will be enough to cover domestic needs and to export between 10 MMT to 12 MMT. The Government, according to Dvorkovich, does not envisage any grain export ban or any restrictions, or even grain interventions. He stated that the situation is not as bad as in 2010 when exports were banned, and the government will probably limit any special support to farmers in the drought affected regions to discounted supplies of seeds and feeds and possibly some other loss compensations.

Some industry analysts, however, have reported that Government assumptions on the situation are based on over-estimated crop forecasts for 2012 and over-estimated carry-over stocks at the beginning of marketing year 2012 (July 1, 2012). Because of the earlier harvest this year, July 1st grain stocks numbers contain some new crop supplies, and this is evidenced by the fact that stocks in Southern regions actually rose from June to July, while in typical years they always fall between these periods.

Russia formally joined the WTO on August 22, 2012.

No Restrictions on Moving Grain within the Domestic Market

In some previous years of poor production, some provincial authorities in Russia have introduced restrictive measures on the free movement of grain within the domestic market. In a few cases these were official documents issued by the provincial authorities, but in most cases they were undocumented instructions to the police, veterinary, and phytosanitary services to check the transported grain cargoes. For official restrictions from provincial authorities, the Federal Government has typically responded to these provincial restrictions, and this has occured again this year. The Ministry of Agriculture and Food of Tatarstan Republic issued a letter (# 02/1-3281 of July 25, 2012) which ordered that all grain shipments from grain assembling points and elevators in the Republic must be coordinated through the Ministry of Agriculture and Food of Tatarstan Republic. However, in response to this in early August the Russian Ministry of Agriculture informed the President of the Tatarstan Republic that this letter violates the Federal Law of the Russian Federation on the Protection of Competition, and violates the principle of unified economic space and free movement of goods, services and means of finance on the whole territory of the Russian Federation.

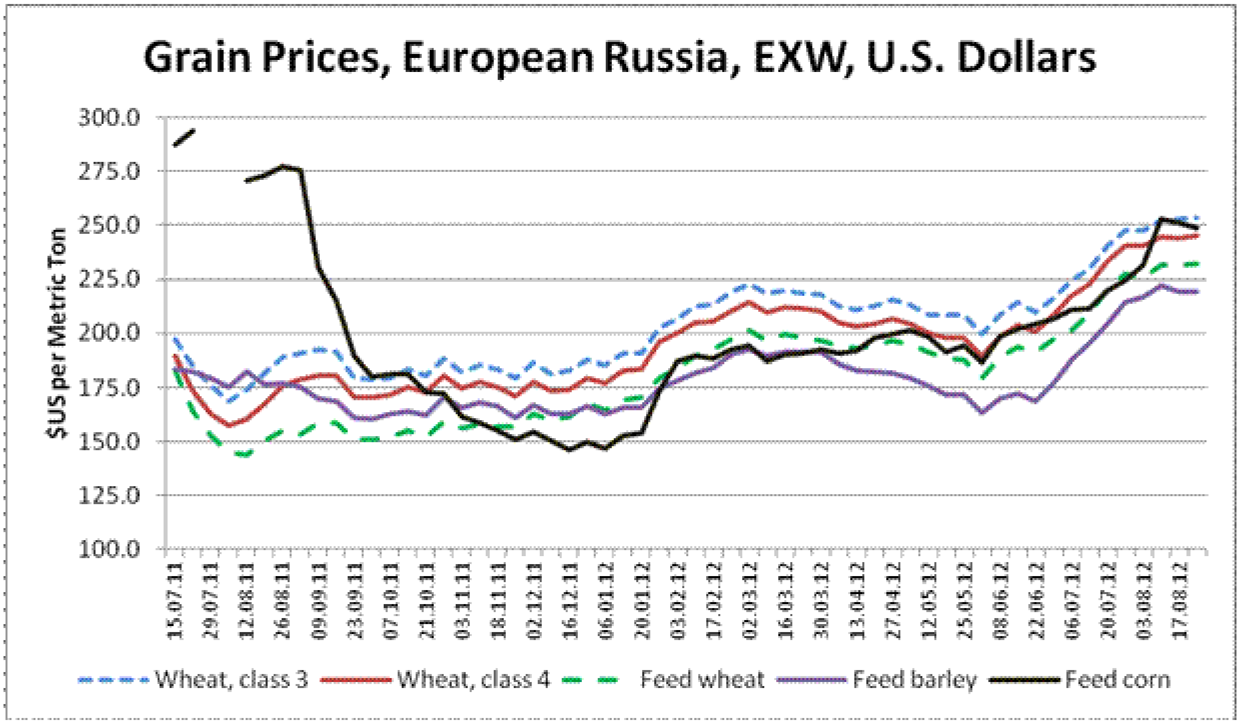
Support of drought affected provinces

The Russian Government has not yet announced the amount or means of state support to the drought-affected provinces. On August 21st the Russian Agricultural Ministry reported that it had been working on proposals to the Government on the state support/subsidies to these affected areas, including subsidies for the procurement of feeds and the purchases of planting seeds and mineral fertilizer. Before the proposals are submitted to the Government, however, the Ministry will evaluate the real losses. The possible sum of funds for this support was previously reported by Deputy Prime Minister Dvorkovich to be 14 billion rubles ($444 million) in addition to the current 150 billion ruble ($4.8 billion) budget of the Ministry of Agriculture for 2012. However, neither the final decision on the additional financing for this support, nor the plans for distribution of these funds have been reported so far. In the meantime, the Ministry of Agriculture has stated that it wants to stimulate the use of insurance systems in agriculture and recommends the provincial agricultural authorities to cooperate with insurance companies and agricultural producers on accurate estimates of losses and the insurance compensations wherever the insurance contracts were concluded.

Marketing:

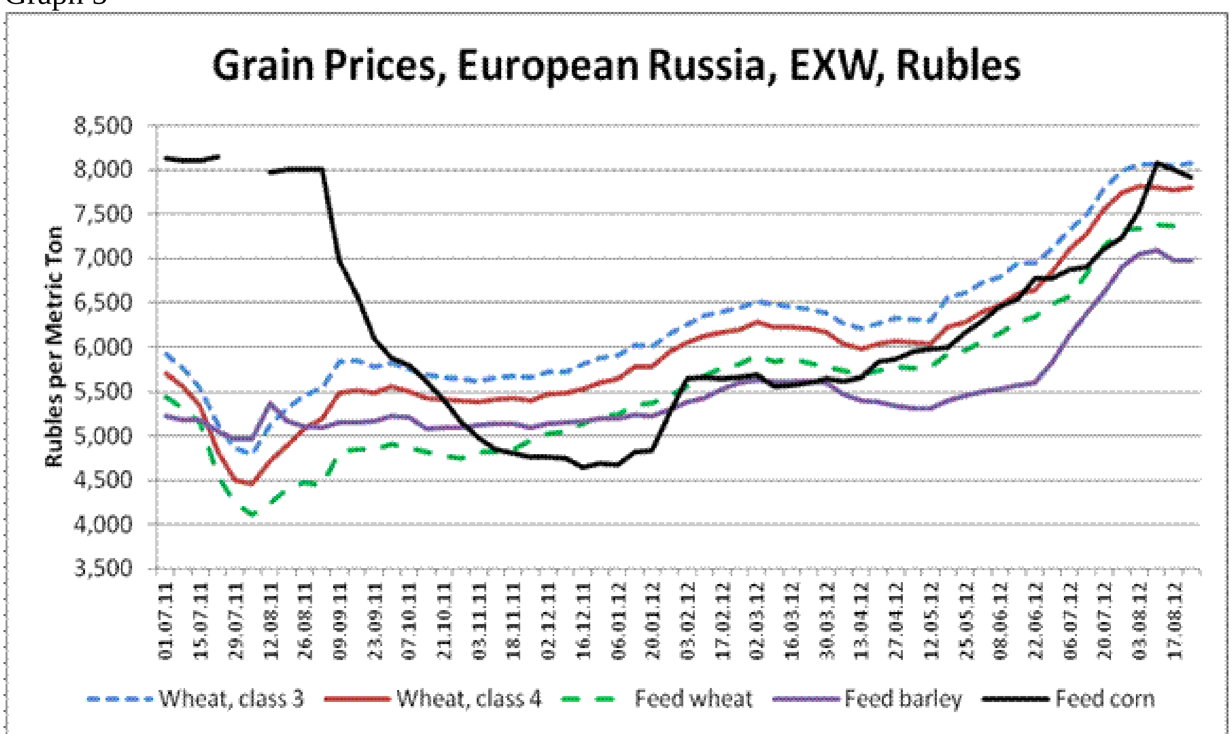
The worsening prospects of the Russian crop, coupled with increasing global prices, fueled a continued strong rise in domestic grain prices in July, although this growth has slowed in August as new crop supplies have hit the market.

Graph 4



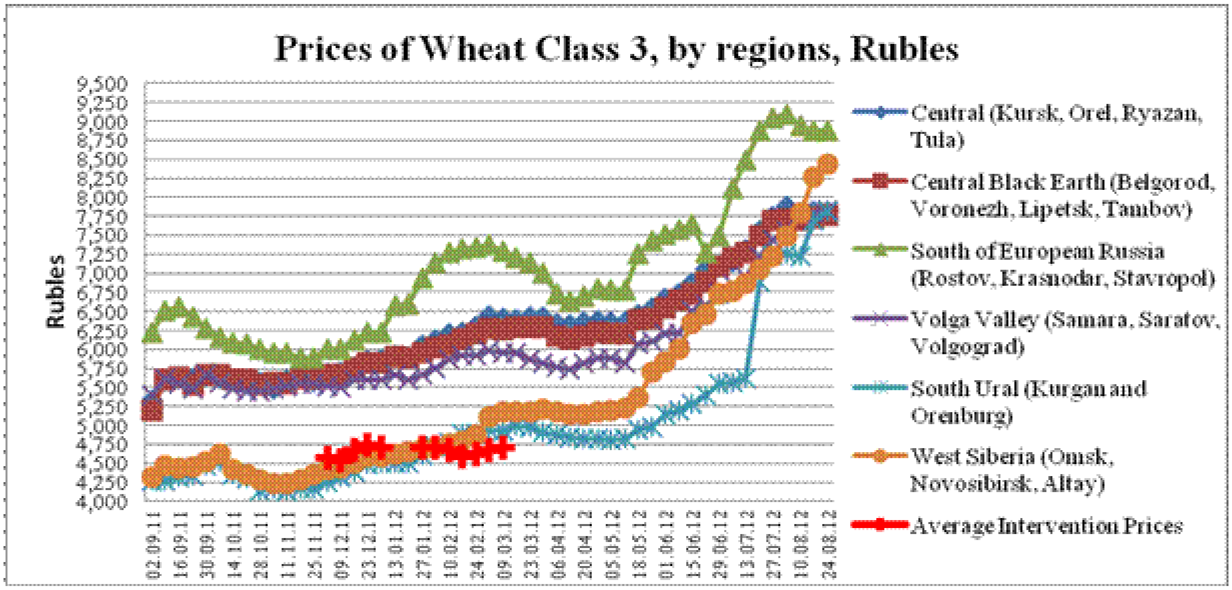
Source: ProZerno

Graph 5



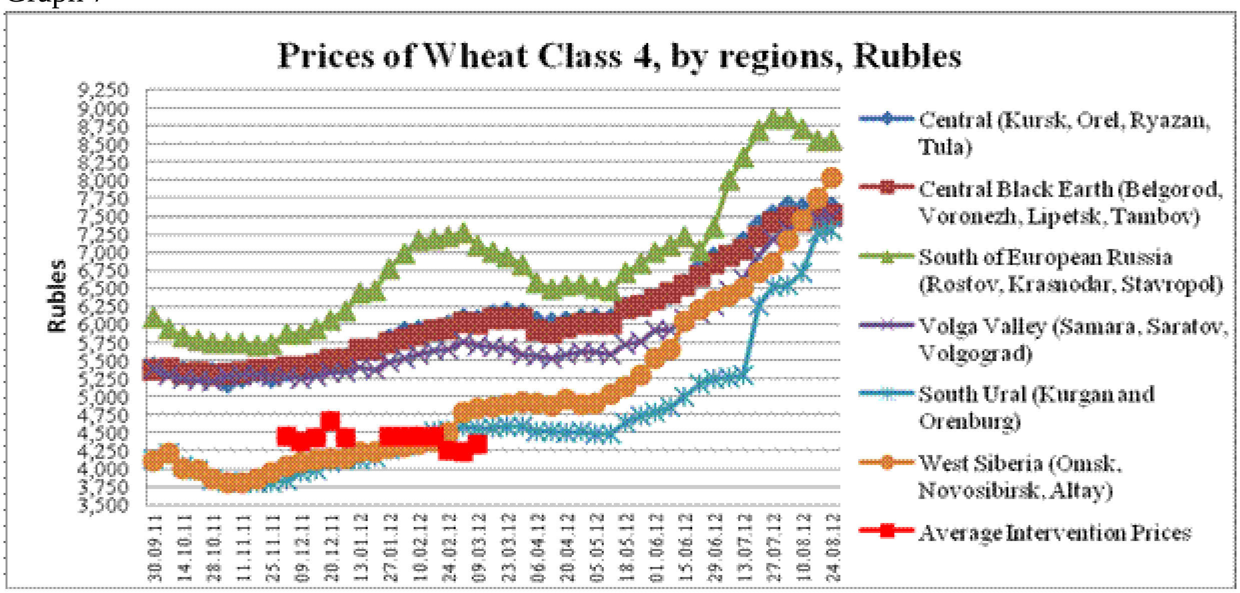
Source: ProZerno

Graph 6



Source: ProZerno

Graph 7



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	23,000	24,000
Beginning Stocks	14,722	14,257	13,736	13,271	10,467	9,975
Production	41,508	41,508	56,231	56,231	43,000	41,000
MY Imports	89	89	100	100	200	500
TY Imports	89	89	100	100	200	500
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	56,319	55,854	70,067	69,602	53,667	51,475
MY Exports	3,983	3,983	21,600	21,627	8,000	8,000
TY Exports	3,983	3,983	21,600	21,627	8,000	8,000
Feed and Residual	16,000	16,000	15,500	15,500	15,000	14,000
FSI Consumption	22,600	22,600	22,500	22,500	22,200	22,000
Total Consumption	38,600	38,600	38,000	38,000	37,200	36,000
Ending Stocks	13,736	13,271	10,467	9,975	8,467	7,475
Total Distribution	56,319	55,854	70,067	69,602	53,667	51,475
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	951	932
Production	8,350	8,350	16,935	16,935	14,500	14,000
MY Imports	408	408	430	461	400	400
TY Imports	411	411	400	500	400	400
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	11,153	11,147	18,751	18,776	15,851	15,332
MY Exports	267	267	3,500	3,544	2,000	1,500
TY Exports	969	969	3,200	3,400	2,000	1,500
Feed and Residual	5,500	5,500	9,800	9,800	8,700	8,500
FSI Consumption	4,000	4,000	4,500	4,500	4,200	4,400
Total Consumption	9,500	9,500	14,300	14,300	12,900	12,900
Ending Stocks	1,386	1,380	951	932	951	932
Total Distribution	11,153	11,147	18,751	18,776	15,851	15,332
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	7,000	7,200
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	7,152	7,374
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	4,700	4,900
FSI Consumption	400	400	700	700	800	800
Total Consumption	3,200	3,200	4,500	4,500	5,500	5,700
Ending Stocks	72	94	102	124	152	174
Total Distribution	3,309	3,343	6,802	6,824	7,152	7,374
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	179	163
Production	1,642	1,642	2,969	2,969	2,700	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	2,879	2,863
MY Exports	0	0	240	238	50	50
TY Exports	21	21	250	230	50	50
Feed and Residual	100	100	150	200	150	150
FSI Consumption	1,750	1,770	2,650	2,650	2,500	2,500
Total Consumption	1,850	1,870	2,800	2,850	2,650	2,650
Ending Stocks	250	282	179	163	179	163
Total Distribution	2,100	2,152	3,219	3,251	2,879	2,863
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	3,400	3,400
Beginning Stocks	397	428	167	194	486	514
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	5,486	5,014
MY Exports	2	2	15	14	5	5
TY Exports	1	1	15	15	5	5
Feed and Residual	2,050	2,050	3,500	3,500	3,600	3,300
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	4,800
Ending Stocks	167	194	486	514	381	209
Total Distribution	3,619	3,646	5,501	5,528	5,486	5,014

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						

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	61
Milled Production	690	690	682	682	700	725
Rough Production	1,062	1,062	1,049	1,049	1,077	1,115
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	986
MY Exports	142	142	150	200	150	160
TY Exports	142	142	150	200	150	160
Consumption and Residual	690	690	700	680	750	750
Ending Stocks	89	89	96	61	96	76
Total Distribution	921	921	946	941	996	986
1000 HA, 1000 MT, MT/HA						