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Date: 1/27/2016

GAIN Report Number: RS1601

Russian Federation

Grain and Feed Update

Grain and Feed January 2016 Update

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Report Highlights:

FAS/Moscow increased its forecast of Russia's total grain crop in MY 2015/16 by 1 million metric tons (MMT) to 103 MMT. The forecasted crop includes 61.0 MMT of wheat (the same as the official USDA forecast), 17.1 MMT of barley (the same as the official USDA forecast), 12.7 MMT of corn (0.3 MMT lower than the official USDA forecast), and almost 12.2 MMT of other grains and pulses. The forecast is based on the Russian State Statistical Service (Rosstat) preliminary crop production data. FAS/Moscow forecasts grain exports at 31 MMT, including 23.0 MMT of wheat, 3.7 MMT of barley, 3.8 MMT of corn and from 0.3 MMT to 0.7 MMT of other grains, pulses and grain products. FAS/Moscow forecast of exports of wheat is 0.5 MMT lower than the official USDA forecast, while barley and corn exports forecasts match the official USDA forecasts. Despite decreasing world market prices of wheat, barley and corn, Russian exports are supported by the volatility of the ruble exchange rate and a good crop.

Post:
Moscow

General Information

NOTE: USDA unofficial data excludes Crimean production and exports. However, as of June 2014, Russian official statistics (ROSSTAT) began incorporating Crimean production and trade data into their official estimates. Where possible, data reported by FAS Moscow is exclusive of information attributable to Crimea.

Production 2015

Based on the data reported by the Russian State Statistical Service (Rosstat), FAS/Moscow increased its forecast of Russia's total grain crop in MY 2015/16 by 1 million metric tons (MMT) to 103 MMT. For wheat, barley, rye, oats, rice and millet FAS/Moscow forecast matches the official USDA forecast. For corn FAS/Moscow forecast is 0.3 MMT lower than the official USDA forecast, and close to the preliminary Rosstat data. The forecasted crop includes 61.0 MMT of wheat (3.3 percent more than in 2014), 17.1 MMT of barley (14.7 percent less than in 2014), 12.7 MMT of corn (11.9 percent increase from 2014), and 12.2 MMT of other grains and pulses (11.3 percent less than in 2014)¹. The final official data on grain and pulse production in 2014, with separate winter and spring grain data will be available in late February 2016, at the earliest.

The bunker weight of Russia's crop at the end of harvest was 108.9 MMT, while the clean weight was 103.0 MMT. Thus, the 2015 losses while cleaning and drying of the grain were 5.8 MMT, or almost 5.4 percent. In 2014, the cleaning and drying losses were 5.2 percent. In 2015, the share of losses in the process of cleaning and drying grain varied from less than 2 percent in Krasnodar kray and Stavropol kray and in Rostov oblast, Russia's main winter wheat producing regions, to 13-15 percent in some Volga Valley provinces which produce primarily spring grains.

Table 1. Grain and pulses area, production, yields 2008-2015

	2008	2009	2010	2011	2012	2013	2014	2015 (prelim)
Planted Area, 1,000 Hectares								
Wheat, total	26,633	28,698	26,613	25,552	24,684	25,064	25,002	26,559
Barley, total	9,621	9,035	7,214	7,881	8,820	9,019	9,192	8,687
Rye	2,162	2,142	1,762	1,551	1,558	1,832	1,874	1,290
Triticale		190	165	226	233	251	251	251
Oats (spring)	3,561	3,374	2,895	3,046	3,241	3,324	3,248	3,039
Corn for grain	1,812	1,365	1,416	1,716	2,058	2,450	2,683	2,770
Rice	164	183	203	211	201	190	197	202
Millet	572	522	521	826	474	490	502	591

¹ Data officially reported by the Russian State Statistical Service (Rosstat) at the end of December 2015, include Crimea, and reports a total grain and pulse crop of 104.3 MMT, including 61.8 MMT of wheat, 17.5 MMT of barley, 12.7 MMT of corn and 12.3 MMT of other grains and pulses.

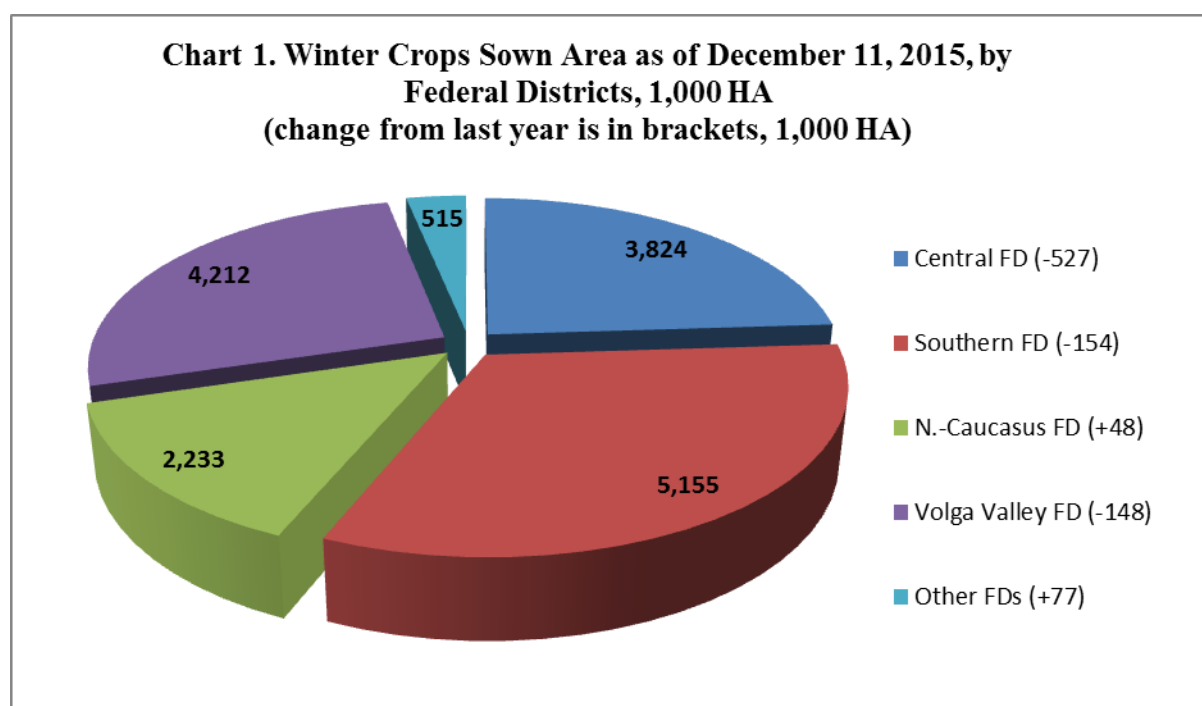
Buckwheat	1,113	932	1,080	907	1,270	1,096	1,008	956
Legumes	1,006	1,080	1,305	1,553	1,844	1,979	1,580	1,566
Other	98	32	20	103	56	131	167	222
Total	46,742	47,553	43,194	43,572	44,439	45,826	45,705	46,132
Production, 1,000 Metric Tons								
Wheat, total	63,765	61,740	41,508	56,240	37,720	52,091	59,081	61,048
Barley, total	23,148	17,881	8,350	16,938	13,952	15,389	20,026	17,083
Rye (winter)	4,505	4,329	1,636	2,971	2,132	3,360	3,279	2,083
Triticale		508	246	523	464	582	654	563
Oats (spring)	5,835	5,401	3,220	5,332	4,027	4,932	5,267	4,528
Corn for grain	6,682	3,963	3,084	6,962	8,213	11,635	11,332	12,685
Rice	738	913	1,061	1,056	1,052	935	1,049	1,109
Millet	711	265	134	878	334	419	489	565
Buckwheat	924	564	339	800	797	834	655	856
Legumes	1,794	1,529	1,371	2,453	2,174	2,037	2,175	2,323
Other	77	18	11	60	43	171	207	193
Total	108,179	97,111	60,960	94,213	70,908	92,385	104,212	103,036
Yields (tons per harvested hectare***)								
Wheat, total	2.45	2.32	1.91	2.26	1.77	2.23	2.50	2.39
Barley, total	2.46	2.31	1.68	2.20	1.82	1.92	2.27	2.13
Rye (total)	2.11	2.07	1.19	1.95	1.50	1.89	1.77	1.67
Triticale		2.72	1.76	2.35	2.08	2.41	2.64	2.31
Oats (spring)	1.71	1.79	1.44	1.82	1.41	1.64	1.71	1.60
Corn for grain	3.87	3.53	3.00	4.34	4.24	5.01	4.36	4.90
Rice	4.62	5.14	5.28	5.09	5.49	4.95	5.36	5.58
Millet	1.38	1.00	0.78	1.39	0.99	1.18	1.23	1.29
Buckwheat	0.92	0.90	0.59	0.95	0.77	0.92	0.93	0.95
Legumes	1.84	1.65	1.39	1.67	1.29	1.21	1.46	1.59

Source: Russian State Statistical Service (Rosstat): www.gks.ru. NOTE: for 2014 and 2015, FAS/Moscow does not include Crimea.

Winter grain area

According to Ministry of Agriculture reports, the area sown to winter grains for the 2015 crop was 15.94 million hectares by mid-December 2015. This was almost 5 percent less than the Ministry of Agriculture's preliminary forecast (referred to as the "plan"), and 3 percent less than what was sown

for winter crops in 2014². Ministry of Agriculture data published in December do not separate winter area by crops, but most of this area is sown to winter wheat. On average, winter wheat area comprises approximately 95 percent of the total winter grain area. Area sown to winter grains for the 2016 crop decreased by 8 percent in the Central Federal District (FD), in the Southern FD by 3 percent, and in the Volga Valley FD by 3 percent. Industry analysts attribute these decreases to different factors, including soil dryness in the fall, some shortage of financing for winter sowing, crop rotation and plans of some farmers to increase area sown to oilseeds and some other crops in spring. These decisions were made by farmers individually, and varied by provinces and even by farms in the same province. The general tendency was to sow winter grains on areas where the survival risks are lower and yield expectations are higher. In many cases the decision to sow winter grains is based on the crop rotation pattern which still plays an important role in Russian agronomic practices.



Source: FAS/Moscow based on Ministry of Agriculture's data as of December 11, 2015
[Planted area Production 2008 2016.xlsx](#)

It is still too early to estimate winter grain survival or forecast the 2016 winter crop. In late fall 2015, some provinces in the Central FD and Volga Valley FD reported low rainfall and soil moisture which negatively impacted the germination of winter crops. However, the situation could improve by spring due to heavy snow and rainfall in January 2016. According to the Russian Hydrometeorology Service, as of mid-January 2016, eighty-nine percent of winter crops are estimated as "good" or "satisfactory," while the area of thinned and un-vegetated plants is 11 percent of the total area sown to winter crops. These estimates are based on the analyses of winter crops as of the end of December 2015. The status will be updated when winter is over³.

² These data does not include Crimea, where, according to the Russian Ministry of Agriculture, area sown to winter grains for 2016 crop was 0.38 million hectares compared to 0.41 million hectare sown in 2014 for 2015 crop.

³ Source: <http://www.mcx.ru/news/news/show/47209.355.htm>

Chart 2. Russia: Major Winter Crop Sown Area



Thirteen Russian provinces account for 74 percent of the winter crop sown area (see map):

Over 2.0 million hectares (**Dark Red**)

- Rostov oblast – 2.26 million hectares

From 1.0 to 2.0 million hectares (**Red**)

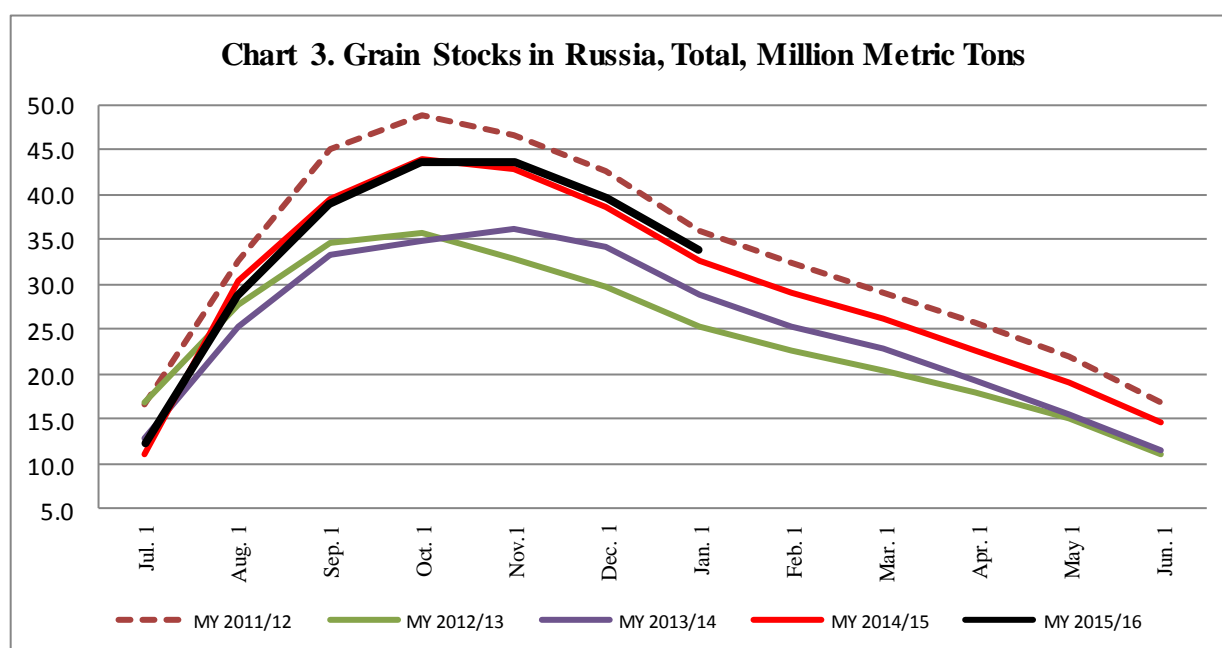
- Stavropol kray – 1.91 million hectare
- Krasnodar kray – 1.58 million hectares
- Volgograd oblast – 1.05 million hectares

From 0.4 to 1.0 million hectares (**Pink**)

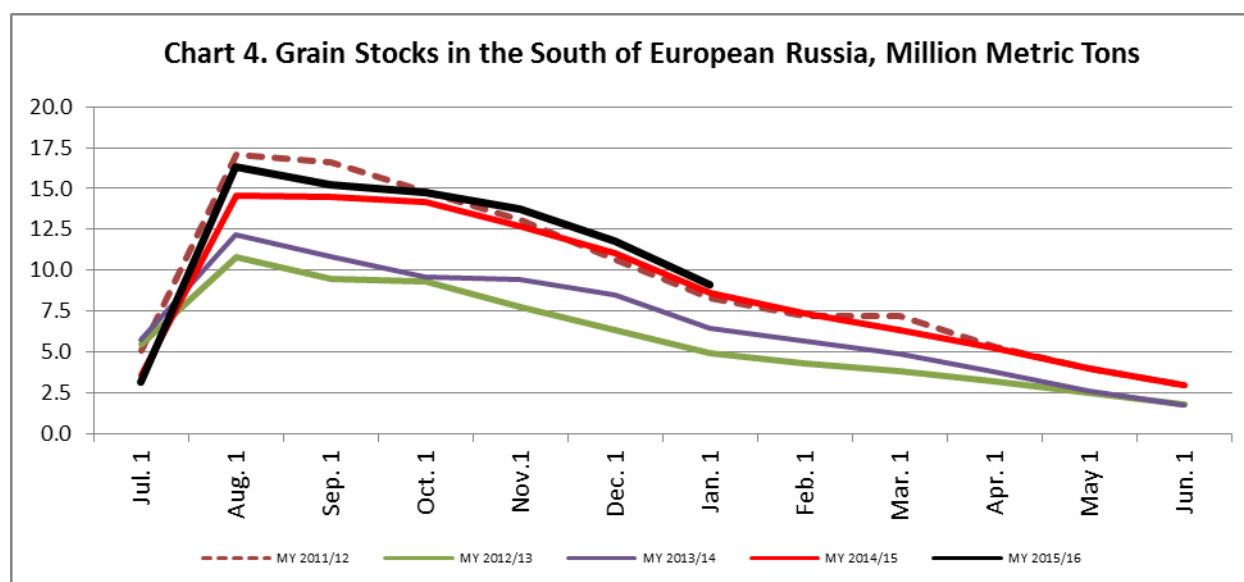
- Saratov oblast – 0.94 million hectares
- Voronezh oblast – 0.63 million hectare
- Tatarstan Republic – 0.60 million hectares
- Kursk oblast – 0.55 million hectares
- Orenburg oblast – 0.53 million hectares
- Bashkortostan Republic – 0.48 million hectares
- Orel oblast – 0.46 million hectares
- Tambov oblast – 0.43 million hectares
- Samara oblast – 0.42 million hectares

Stocks

Despite the speedy grain exports in the first six months of MY 2015/2016 (July – December 2015)⁴, as of January 1, 2016, Russia's grain stocks were the second highest in the last 5 years (Chart 3). Stocks in southern European Russia, the major exporting region, reached the highest level in the last 5 years (Chart 4). Wheat stocks at assembling and processing enterprises were the second highest in the observed 5 year period.

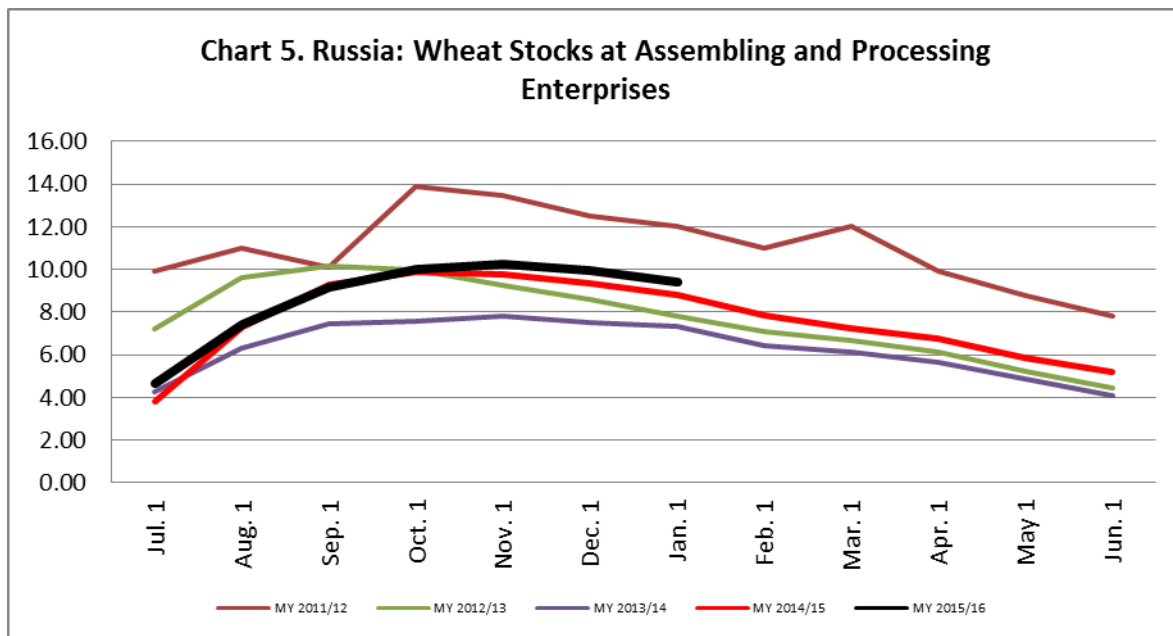


Source: Rosstat



Source: Rosstat

⁴ See section "Trade" of the current report.



Source: Rosstat

Trade

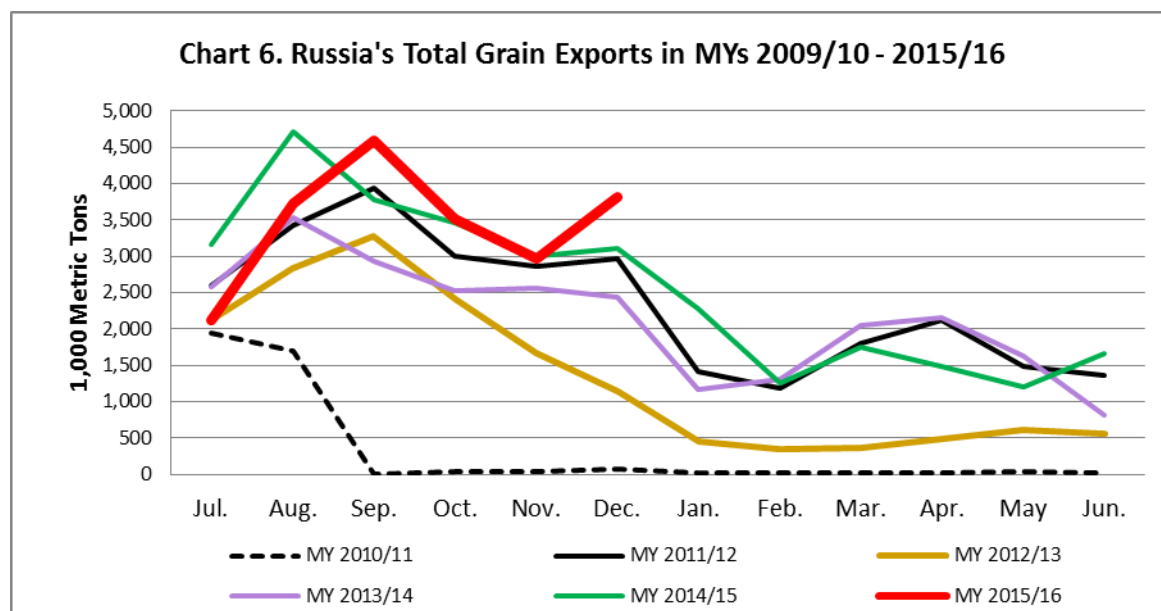
FAS/Moscow forecasts Russia's total grain exports in MY 2015/16 at 31 MMT, including 30.7 MMT's exports of four major crops (wheat, barley, corn and rice). These exports will be the same or only 2 percent lower than the record 31.5 MMT in the marketing year 2015/16. The exports include 23.0 MMT of wheat (a 1 percent increase from MY 2014/15), 3.7 MMT of barley (31 percent decrease from last year), 3.8 MMT of corn (18 percent up from last year), and approximately 0.2 MMT of rice (12 percent increase from last year). FAS/Moscow forecasts that wheat exports at 0.5 MMT lower than the official USDA forecast. Although the wheat crop is larger than the crop last year, as of December 31, 2015, cumulative wheat exports were lower than in the same period last year (Chart 8). FAS/Moscow forecasts exports of barley, corn and rice at the same level as the official USDA forecasts. Forecasts of corn exports are higher than last year due to better corn crop this year. Forecasts of barley exports are down compared to last year based on a lower barley crop.

Russia's total grain imports are forecasted at 0.9 MMT, including 0.5 MMT of wheat, 0.1 MMT of barley, and 0.2 MMT of rice. FAS/Moscow increased the forecast for wheat imports because the Kazakhstani tenge/USD devaluation has been greater than the ruble/USD devaluation. Post believes this is likely to stimulate shipments of wheat from Kazakhstan to Russia, despite the good Russian crop.

According to available customs data on export volumes for the period of July through December 2015, Russia exported 20.7 MMT of grain (including wheat flour in grain equivalent) and pulses. This was 2.5 percent less than during the same period in 2014. Exports were down in November compared with September and October, but increased sharply in December 2015. Industry analysts report that Russian grain exports increased in December 2015 due to several factors: the resumed devaluation of the ruble, good corn crop prospects, favorable weather in the Russian deep water ports in the Black Sea, and uncertain future trade relations with Turkey. Turkey is Russia's second biggest market for grain, after Egypt. According to official December 2015 Russian Customs data,

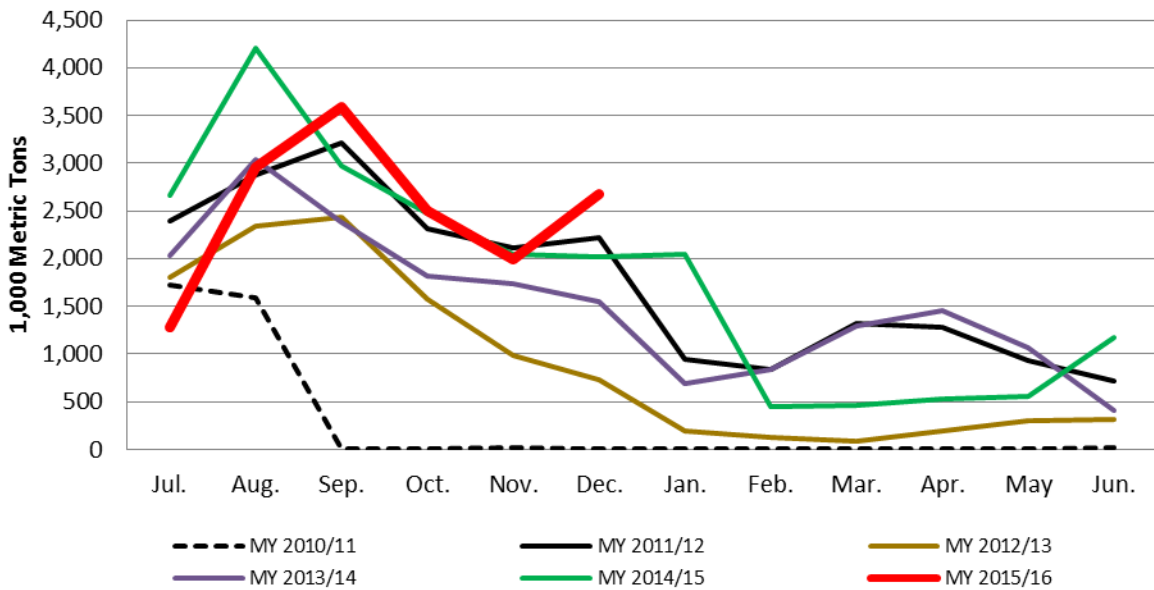
Russia exported almost 3.8 MMT of grain, which is an historic record for any December. Russian exports included 2.67 MMT of wheat, 0.54 MMT of barley, 0.46 MMT of corn, 18,000 MT of rice, 32,000 MT of wheat flour in grain equivalent, 3,000 MT of rye, and 72,000 MT of peas. According to industry sources, actual exports of grain in December were even higher than these official statistics. The discrepancy between the Customs data and industry data is due to the long procedures for calculation of the wheat export duty. Ships are sent with temporary customs declarations, and the official Customs registration is not finalized until later.

Egypt and Turkey remain the major markets for Russian grain, and in December 2015 their share of Russia's grain exports were 22 percent and 16 percent, respectively. Nine percent of grain went to Saudi Arabia, 5 percent to Yemen, and 4 percent each to Bangladesh and Iran. According to Russian officials, Russia will not restrict exports of grain to Turkey. However, if Turkey decreases imports of Russian grain, then traders will be forced to shift to other markets, and Russian officials are actively investigating other potential markets for Russian grain, including Iran.



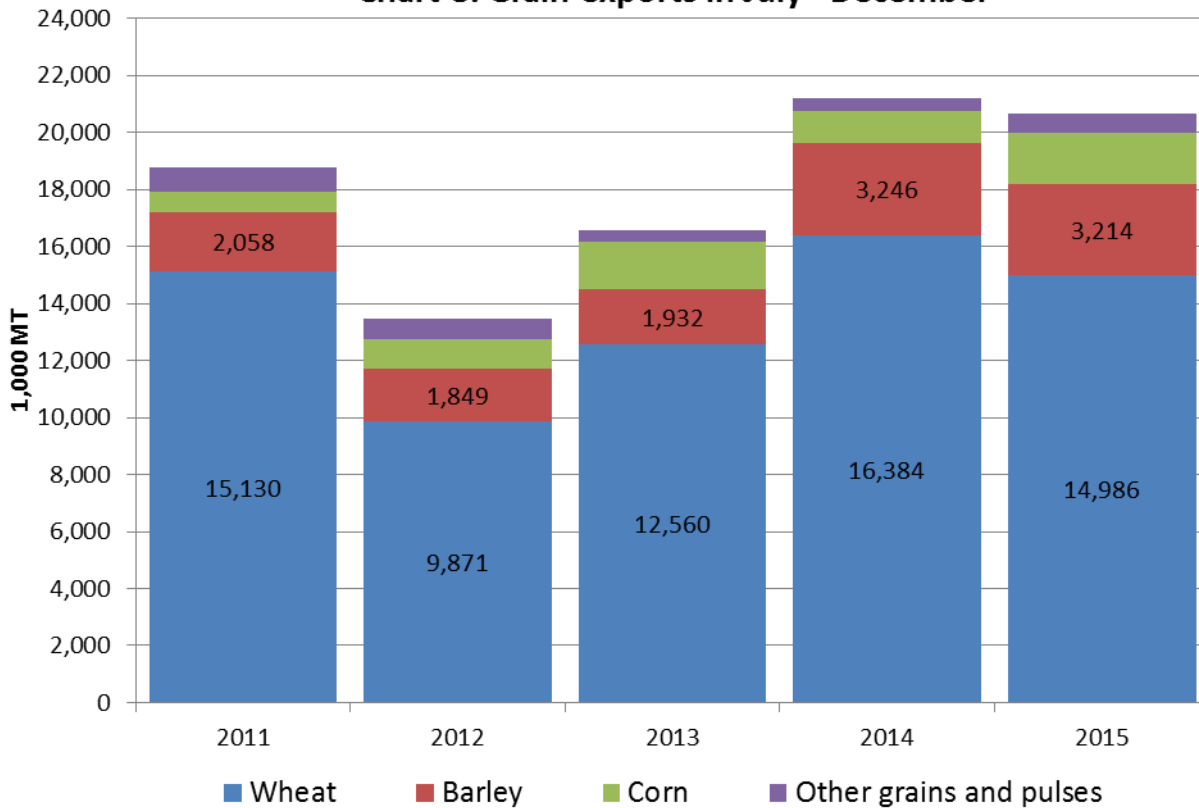
Source: State Customs data.

Chart 7. Russia's Wheat Exports in MYs 2010/11 - 2015/16



Source: State Customs data.

Chart 8. Grain exports in July - December

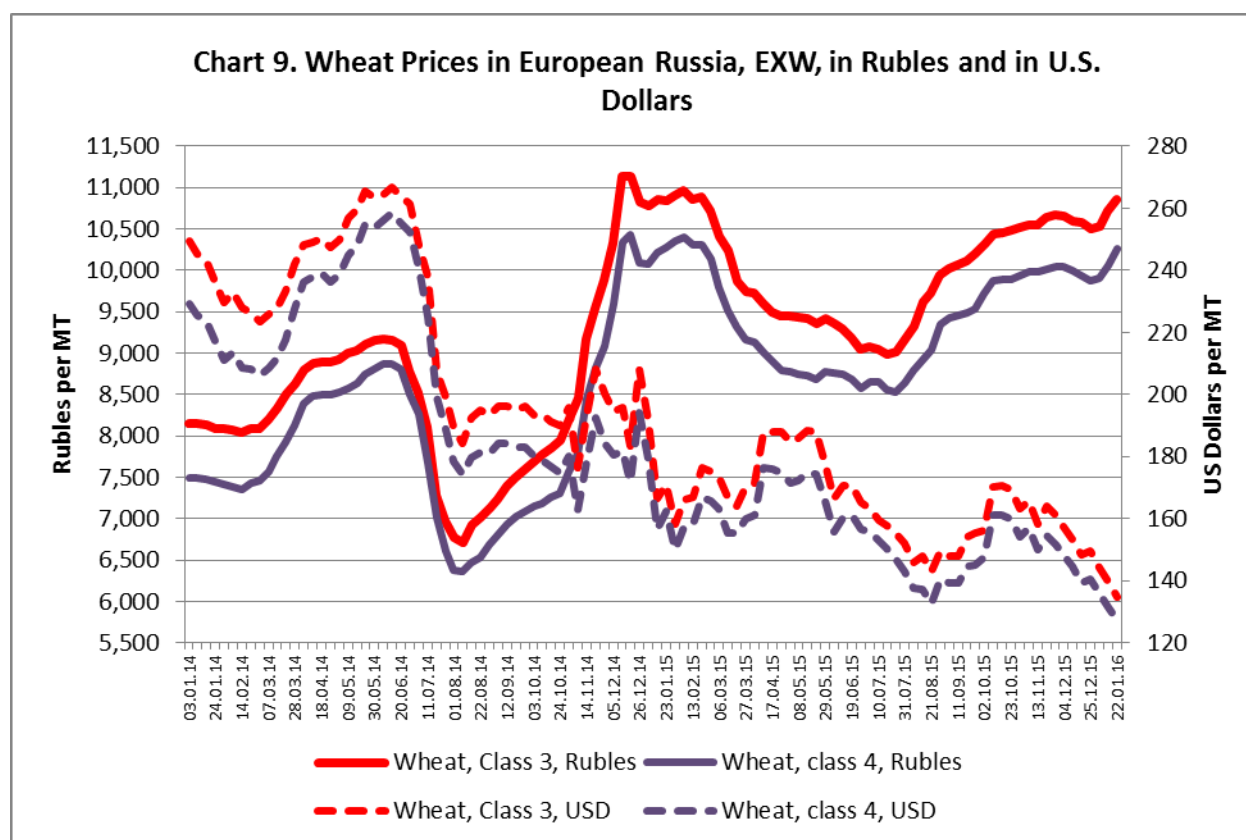


Source: State Customs data and industry sources.

According to industry analysts, Russian exports of grain are likely to decrease to 1.5 MMT in

January 2016 due to the long January holidays and ice-cover in the shallow water ports in the Azov-Don basin. However, because some December 2015 wheat exports will be registered in January 2016, Customs will likely report higher exports than the actual exports. Additionally, the continuing devaluation of the Russian ruble in January 2016 may support Russian grain exports from the deep water ports of the Black Sea. Never-the-less, industry analysts forecast that exports in January 2016 will be lower than the exports in January 2015 when traders exported 2.28 MMT of grain on the eve of the introduction of the 35 Euro per 1 MT export duty which lasted through May 2015.

Despite the high volume of grain exports, the dollar-value of Russian grain exports has dropped. During the period July through October 2015, the volume of Russian exports of all cereals (HS customs code 10) decreased by 7 percent to 13.9 MMT compared with 15.0 MMT in the same period in 2014. However, in value terms, the same exports dropped by 30 percent (from \$3.4 billion to \$2.4 billion) although the structure of exported grain was almost the same. Moreover, while the increase in exports in December was supported by the devaluation of the Russian ruble versus the U.S. dollar, the world market price of grain was also decreasing. Therefore, the value of exported grain decreased. The soft Russian ruble supported not only the flow of exports, but also domestic prices in rubles for grain, especially wheat (Chart 9).



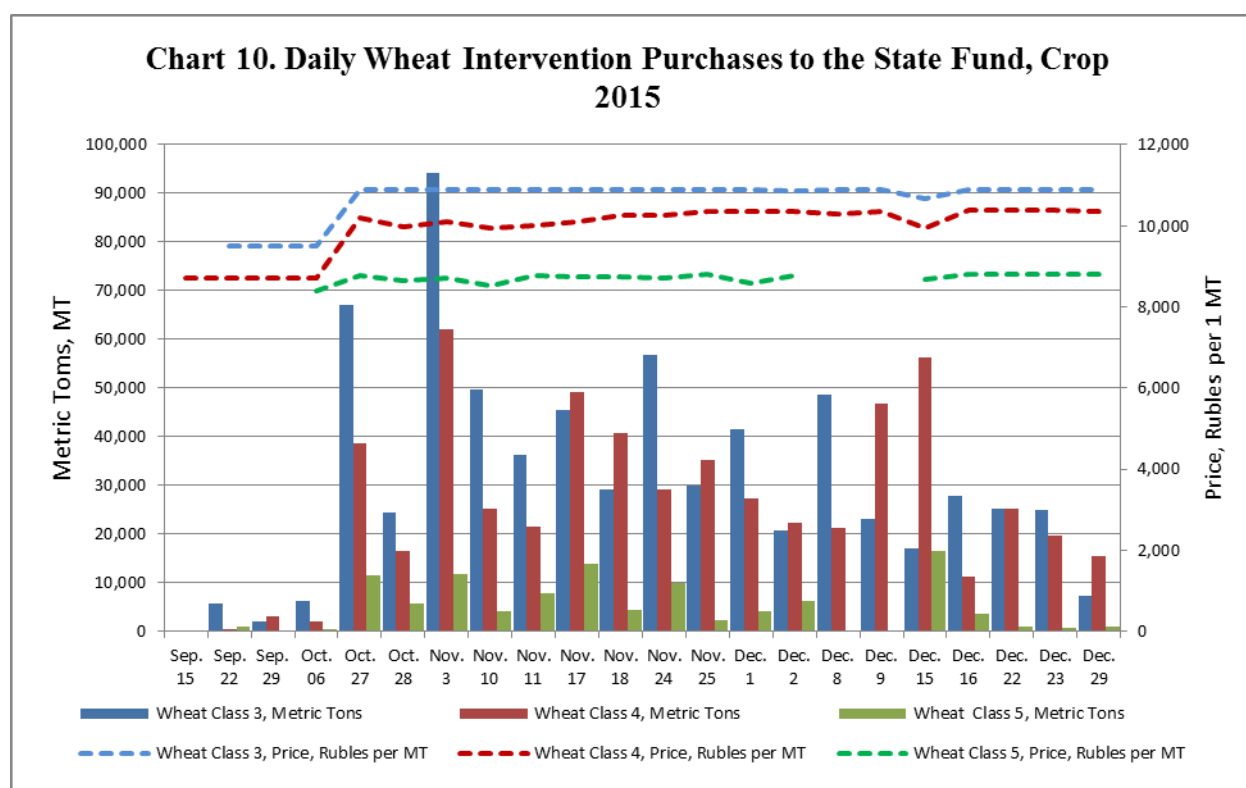
Source: ProZerno

Policy

The export duty on Russian wheat is 50 percent of customs value, minus 6,500 rubles, but not less than 10 rubles per 1 MT (for more information see GAIN report [Wheat Export Duty Amended_10-2-2015.pdf](#)). The current 12,600-12,900 rubles CPT price of Russian wheat (Class 4) at Black Sea

port still allows for exports at the minimum export duty⁵. In early January 2016, the Deputy Minister of Agriculture conjectured that the export duty on wheat may be changed, and the Ministry of Agriculture's offer on changes would be submitted to the Government by the end January. However, so far changes have not been made, and there is no information on the direction of possible future changes.

After the Government increased prices for purchases of grain to the State Intervention Fund (for more information see GAIN report ([Intervention Prices for 2015 Crop Increased 10-19-2015.pdf](#)), farmers increased sales of grain to the Intervention Fund. By the end of December 2015, the Fund purchased almost 1.4 MMT (1,399,456 MT) of grain for over 14.4 billion rubles. Almost 98 percent of this grain was purchased since October 27th, when the Ministry of Agriculture increased procurement prices. Since the beginning of interventions in August 2015, and through December 2015, Government purchases to the Intervention Fund have totaled 684,824 MT of milling wheat Class 3, 570,654 MT of milling wheat Class 4, 105,773 MT of milling wheat Class 5, 17,685 MT of food rye Class 3, and 20,520 MT of fodder barley.



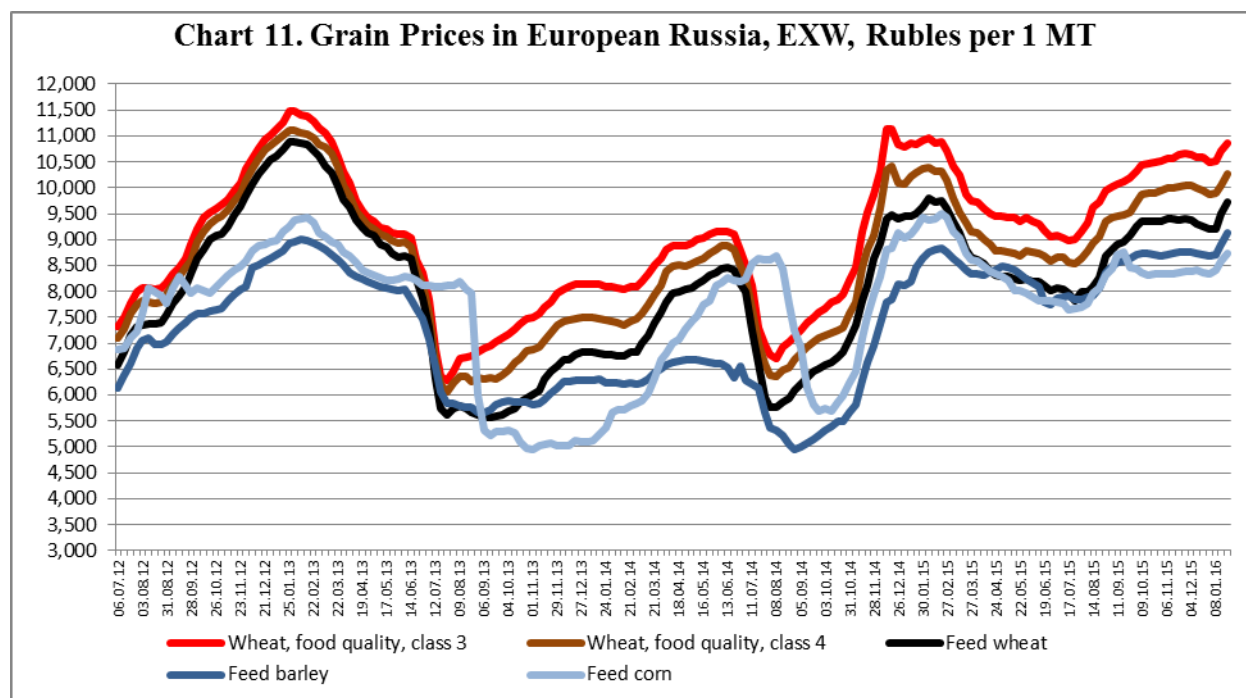
According to preliminary estimates by the Russian Ministry of Economic Development (MED), the Russian economy declined 3.9 percent in 2015. Due to the difficult economic situation and the associated problems with forecasting because of the current volatility of the Russian markets, the Russian Government abandoned three-year budgeting and adopted a budget only for 2016. However, the sharp fall in the price of oil forced the Russian government to consider steep spending cuts. The current budget is based on projected revenues from oil exports at a price of \$50 per barrel.

⁵ Source: ProZerno No. 2 of January 18, 2016.

Benchmark Brent crude slid below \$30 per barrel by mid-January 2016. So far Russian officials report that the cuts will not affect the budget for agriculture. Government support for crop production is likely to remain stable because earnings from exports support domestic grain and oilseed prices, however, it is doubtful that Government support for crop production will increase. The Ministry of Agriculture is trying to promote exports of Russian agricultural products, including grain by negotiating terms of such trade with Iran, China and some other countries. However, it is not clear to what extent these attempts expand markets for Russian grain.

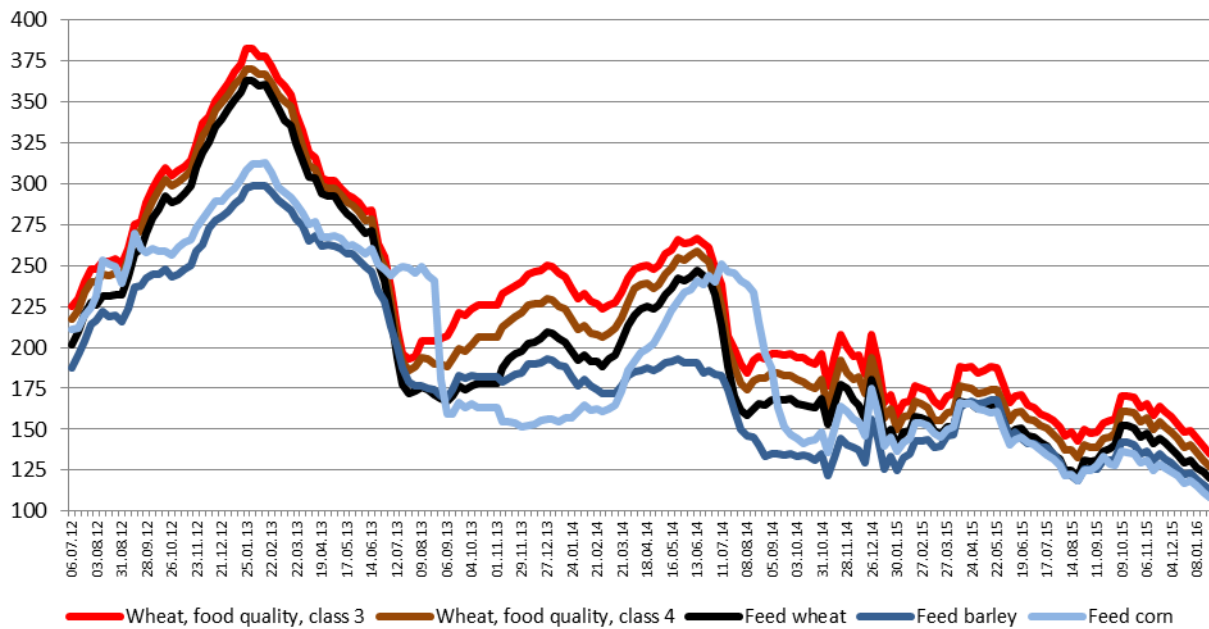
Marketing

Grain prices in rubles stabilized at the end of 2015, and even began increasing in January 2016 (Chart 11), while dollar-based prices for all grains decreased (Chart 12).



Source: ProZerno

Chart 12. Grain Prices in European Russia, EXW, USD per MT



Source: ProZerno

Production, Supply and Demand Data

PSD for Wheat

Wheat Market Begin Year Russia	2013/2014		2014/2015		2015/2016	
	Jul 2013		Jul 2014		May 2015	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	23399	23399	23636	23636	25600	25550
Beginning Stocks	4952	4952	5175	5175	6282	6282
Production	52091	52091	59080	59080	61000	61048
MY Imports	800	800	327	327	350	500
TY Imports	800	800	327	327	350	500
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	57843	57843	64582	64582	67632	67830
MY Exports	18568	18568	22800	22800	23500	23000
TY Exports	18568	18568	22800	22800	23500	23000
Feed and Residual	12500	12500	13000	13000	14000	14000
FSI Consumption	21600	21600	22500	22500	23000	23000
Total Consumption	34100	34100	35500	35500	37000	37000
Ending Stocks	5175	5175	6282	6282	7132	7830
Total Distribution	57843	57843	64582	64582	67632	67830

(1000 HA) ,(1000 MT)

PSD for Barley

Barley Market Begin Year Russia	2013/2014		2014/2015		2015/2016	
	Jul 2013		Jul 2014		May 2015	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	8024	8024	8803	8803	8050	8050
Beginning Stocks	726	726	932	932	1561	1561
Production	15389	15389	20026	20026	17100	17100

MY Imports	198	198	39	39	100	100
TY Imports	194	194	16	16	100	100
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	16313	16313	20997	20997	18761	18761
MY Exports	2681	2681	5336	5336	3700	3700
TY Exports	2791	2791	5803	5803	3000	3000
Feed and Residual	8300	8300	9200	9200	9100	9100
FSI Consumption	4400	4400	4900	4900	4800	4800
Total Consumption	12700	12700	14100	14100	13900	13900
Ending Stocks	932	932	1561	1561	1161	1161
Total Distribution	16313	16313	20997	20997	18761	18761
(1000 HA) ,(1000 MT)						

PSD for Corn

[illegible]

PSD for Rye

[illegible]

PSD for Oats

Oats	2013/2014		2014/2015		2015/2016	
Market Begin Year	Jul 2013		Jul 2014		May 2015	
Russia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	3007	3007	3077	3077	2835	2835
Beginning Stocks	203	203	230	230	289	289
Production	4932	4932	5267	5267	4550	4550
MY Imports	1	1	1	1	0	0
TY Imports	1	1	1	1	0	0
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	5136	5136	5498	5498	4839	4839
MY Exports	6	6	9	9	10	10
TY Exports	6	6	15	15	10	10
Feed and Residual	3400	3400	3700	3700	3000	3000
FSI Consumption	1500	1500	1500	1500	1600	1600
Total Consumption	4900	4900	5200	5200	4600	4600
Ending Stocks	230	230	289	289	229	229
Total Distribution	5136	5136	5498	5498	4839	4839

(1000 HA) ,(1000 MT)

PSD for Rice, Milled

Rice, Milled	2013/2014		2014/2015		2015/2016	
Market Begin Year	Jan 2014		Jan 2015		Jan 2016	
Russia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	188	188	196	196	200	200
Beginning Stocks	84	84	84	84	46	46
Milled Production	608	608	682	682	720	720
Rough Production	935	935	1049	1049	1108	1108
Milling Rate (.9999)	6500	6500	6500	6500	6500	6500
MY Imports	299	299	170	170	230	230
TY Imports	299	299	170	170	230	230
TY Imp. from U.S.	4	4	0	0	0	0
Total Supply	991	991	936	936	996	996
MY Exports	187	187	170	170	190	190
TY Exports	187	187	170	170	190	190
Consumption and Residual	720	720	720	720	730	730
Ending Stocks	84	84	46	46	76	76
Total Distribution	991	991	936	936	996	996

(1000 HA) ,(1000 MT)

PSD for Millet

Millet	2013/2014		2014/2015		2015/2016	
Market Begin Year	Jul 2013		Jul 2014		May 2015	
Russia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	355	355	397	397	440	440
Beginning Stocks	0	0	0	0	0	0
Production	419	419	489	489	570	570
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	419	419	489	489	570	570

