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Grain and Feed Update

November 2016 Update

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Report Highlights:

FAS/Moscow's forecast for Russia's total grain production remains almost unchanged from its September forecast – 114.6 million metric tons (MMT) compared with 114.5 MMT. The 2016/2017 crop will be the largest in Russian (post USSR) history. The wheat crop forecast remains 72.0 MMT, the same as the official USDA forecast, and will be the largest wheat crop in Russian history. Post increased its barley forecast by 0.3 MMT to 18.0 MMT, matching the official USDA forecast. At the same time, Post decreased its corn crop forecast by 0.5 MMT to 13.0 MMT. This forecast is 1 MMT lower than the official USDA forecast. Production of other grain crops and pulses is forecast at 11.6 MMT. Total grain exports are forecast at 38 MMT, including 29.0 MMT of wheat (1 MMT lower than the official USDA forecast), 4.0 MMT of barley (matching the official USDA forecast), 4.0 MMT of corn (0.5 MMT lower than the official USDA forecast), and 1 MMT of other grains and pulses.

Post:
Moscow

Commodities:
Wheat
Barley
Corn

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.

Executive Summary

FAS/Moscow's forecast for Russia's total grain production remains almost unchanged from its September forecast¹ – 114.6 million metric tons (MMT) compared with 114.5 MMT. The 2016/2017 crop will be the largest in 26 years. The wheat crop forecast remains 72.0 MMT, the same as the official USDA forecast. This wheat crop will be the largest wheat crop in Russian (post USSR) history. Post increased its barley forecast by 0.3 MMT to 18.0 MMT based on the progress of the barley harvest. This forecast matches the official USDA forecast. At the same time, the progress of the corn harvest, as of October 12th, was lagging behind last year, and Post decreased its corn crop forecast by 0.5 MMT to 13.0 MMT. This forecast is 1 MMT lower than the official USDA forecast. Production of other grain crops and pulses is forecast at 11.6 MMT.

FAS/Moscow increased its total grain exports forecast by 1 MMT to 38 MMT, including 29.0 MMT of wheat (1 MMT lower than the official USDA forecast), 4.0 MMT of barley (matching the official USDA forecast), 4.0 MMT of corn (0.5 MMT lower than the official USDA forecast), and 1 MMT of other grains and pulses. Despite the bumper wheat crop, wheat exports from July to September, 2016, were lower than in the same period last year. The decline in exports was primarily due to lower exports to Egypt. Industry analysts estimate that since Egypt has restored a 0.05 percent tolerance for Ergot in wheat, Russia's exports of wheat will exceed exports last year by the end of 2016. However, Post's forecast is more cautious than the USDA forecast. Also, Post's corn export forecast is lower than the USDA official forecast based on a lower forecast for the corn crop.

The Russian Ministry of Agriculture increased its grain crop production forecast from 113 MMT (September forecast) to 115 - 116 MMT in mid-October. The Ministry reported that given this high crop, the "comfortable" volume of grain exports will be 40 MMT².

¹ FAS/Moscow GAIN Report [Grain and Feed Update September 2016 8-31-2016.pdf](#)

² <http://tass.ru/ekonomika/3676635>.

Harvest progress

As of October 12, 2016, Russian farmers harvested 113.4 MMT of grain (bunker weight³), 14 percent more than on the same date last year, from 43.3 million hectares, this area is almost 4 percent larger, year-over-year (y-o-y). The Ministry of Agriculture reported that as of October 12th almost 93 percent of all Russia's area sown to grain was harvested⁴. Harvest progress, by major grains, follows (all production is in bunker weight)⁵:

Wheat

The wheat crop as of October 12, 2016 was harvested from 26.8 million hectares (approximately 98 percent of wheat planned for harvest), and reached 74.7 MMT. This is almost 20 percent and 8 percent more than on the same date last year, respectively:

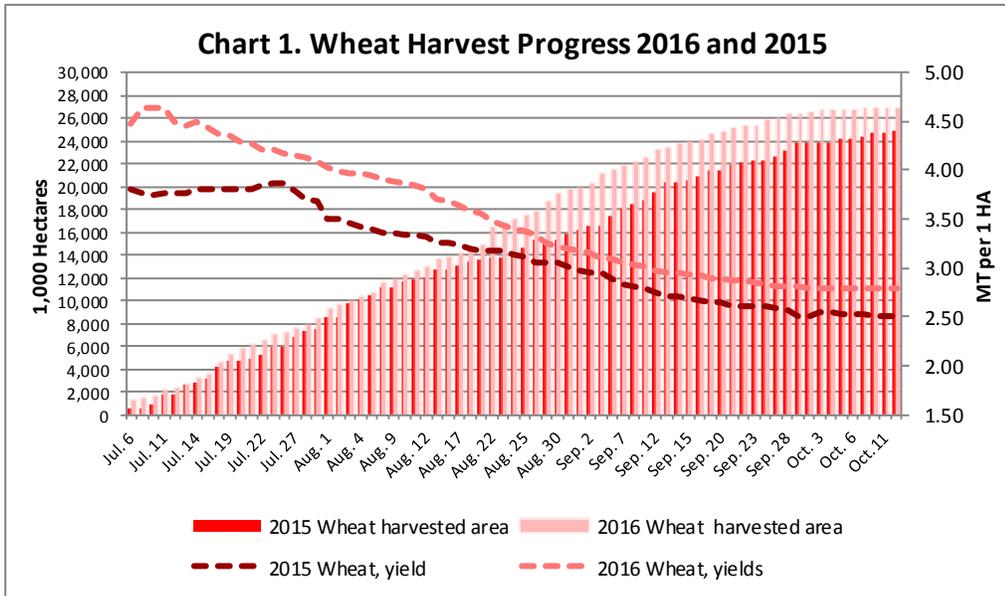
- In the Southern and North Caucasus federal districts (FD) the wheat harvest was completed, with the wheat crop totaling 22.2 MMT and 8.5 MMT, respectively. On the same date last year, wheat production in these districts was 18.7 MMT and 7.7 MMT, respectively. Average yields were 4.22 MT/HA and 4.17 MT/HA in 2016, respectively, compared with 3.76 MT/HA and 3.84 MT/HA in 2015, respectively.
- In the Central FD wheat was harvested from 97 percent of area planned for harvest, and the wheat crop was 15.0 MMT compared with 12.5 MMT last year. Average yield was 3.79 MT/HA compared with 3.39 MT/HA in 2015.
- In the Volga Valley FD wheat was harvested from 97 percent of area planned for harvest with the crop totaling 14.2 MMT compared with 9.9 MMT last year. The average yield was 2.15 MT/HA compared with 1.74 MT/HA in 2015.
- In Ural FD the wheat harvest was also nearly completed with 98 percent of planned area harvested. Due to the larger planted area, the wheat crop was 3.9 MMT, almost 0.5 MMT larger than last year. Although, yields were almost the same: 1.68 MT/HA in 2016 compared with 1.64 MT/HA in 2015.
- In Siberia FD the wheat crop was harvested from 98 percent of area, and was 10.2 MMT compared with 9.47 MMT in 2015. The average yield in 2016 was 1.58 MT/HA compared with 1.51 MT/HA in 2015.

There are no comprehensive data on the quality of the wheat crop, but industry analysts consider that overall the quality of wheat is worse than last year, especially in the Central FD where, due to heavy rains in July and August, the wheat crop lost protein. In some cases grain started to germinate. However, given the overall size of the wheat crop, the quantity of good quality milling grain will not be less than last year.

³ Bunker weigh is 3-6 percent higher than the clean weight of grain crop. Production in clean weight is reported by the Russian statistics only 2-3 months after the completion of the harvest.

⁴ <http://www.mcx.ru/documents/document/show/35815.htm>

⁵ Crimea is not included.

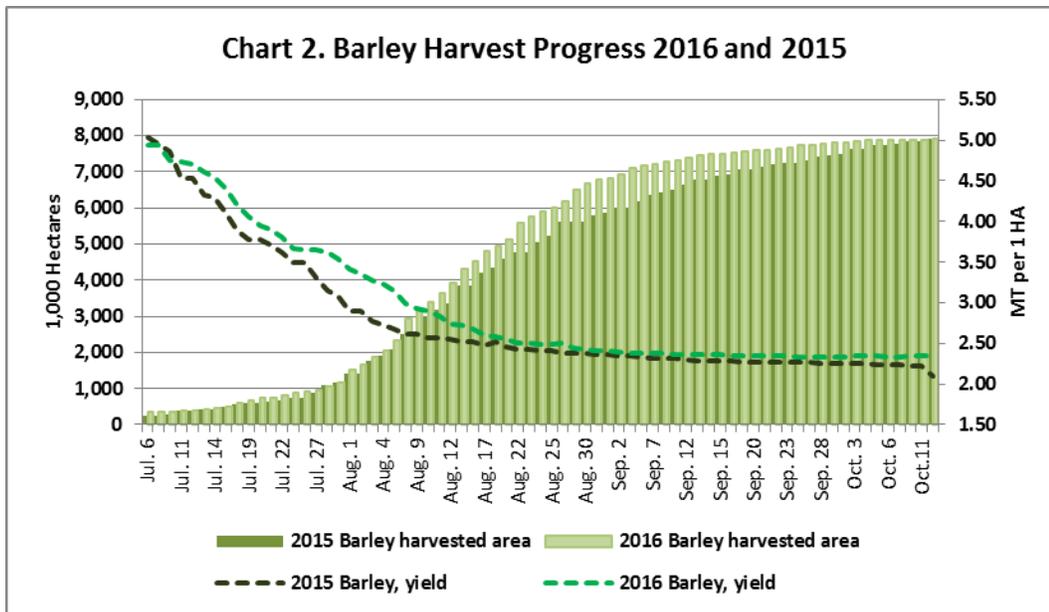


Source: FAS/Moscow based on the Ministry of Agriculture's data

Barley

As of October 12, 2016, Russian farmers harvested 18.5 MMT of barley (16.5 MMT on the same date last year) from 7.9 million hectares (the same area as last year). This captures 97 percent of barley area planned for harvest.

- In the Southern and North Caucasus federal districts, the barley (primarily winter barley) harvest was completed with a barley crop of 2.84 MMT and 1.15 MMT, respectively and yields of 2.81 MT/HA and 3.76 MT/HA, respectively. In 2015, the barley crop in these federal districts was 2.45 MMT and 0.98 MMT, respectively.
- In the Central FD barley was harvested from 94 percent of the area planned for harvest, with a crop of 5.5 MMT. On the same date in 2015, the harvest was 6.0 MMT.
- In the Volga Valley FD barley was harvested from 97 percent of planned area, and the crop was 5.1 MMT, compared with 4.5 MMT in 2015.
- In the Ural FD and in Siberia FD, barley was harvested from 98 and 99 percent of area planned for harvest, respectively, and the crop was 13.1 MMT and 2.2 MMT, respectively. This compares to 1.2 MMT and 2.0 MMT, respectively, in 2015.



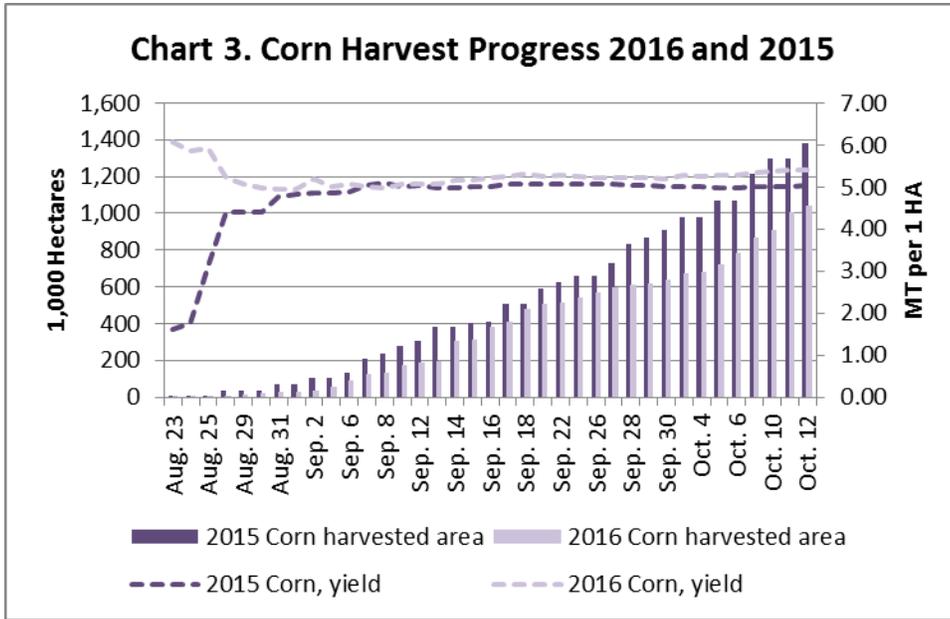
Source: FAS/Moscow based on the Ministry of Agriculture's data

Corn

As of October 12, 2016, 5.6 MMT of corn were harvested from 1.04 million hectares, or 36 percent of area planned for corn for harvest. On the same date last year, corn was harvested from 1.4 million hectares with a crop of over 6.9 MMT harvested.

- In the Southern FD, farmers harvested 3.2 MMT of corn from 0.62 million hectares, that was 64 percent of area planned for the corn harvest. On the same date last year, farmers harvested 3.8 MMT from 0.8 million hectares.
- In the North Caucasus FD, farmers harvested 1.0 MMT of corn from 0.17 million hectares, or 32 percent of the area planned for the corn harvest. On the same date last year, farmers in this federal district harvested 0.9 MMT of corn from 0.2 million hectares.
- In the Central FD, corn was harvested from only 102,000 hectares, or 11 percent of area sown to corn, and the crop was 0.7 MMT compared with 1.9 MMT harvested on the same date last year from 311,000 hectares.
- In the Volga Valley FD, 0.6 MMT of corn were harvested from 147,000 hectares, or 39 percent of planned area. On the same date in 2015, farmers harvested 0.3 MMT of corn from 71,000 hectares.

Industry analysts maintain that corn can be harvested for a much longer period than other grains. However, the harvest this year is still late, and the fall weather may cause more damage to the corn crop in the South and the Central parts of European Russia than was seen last year.

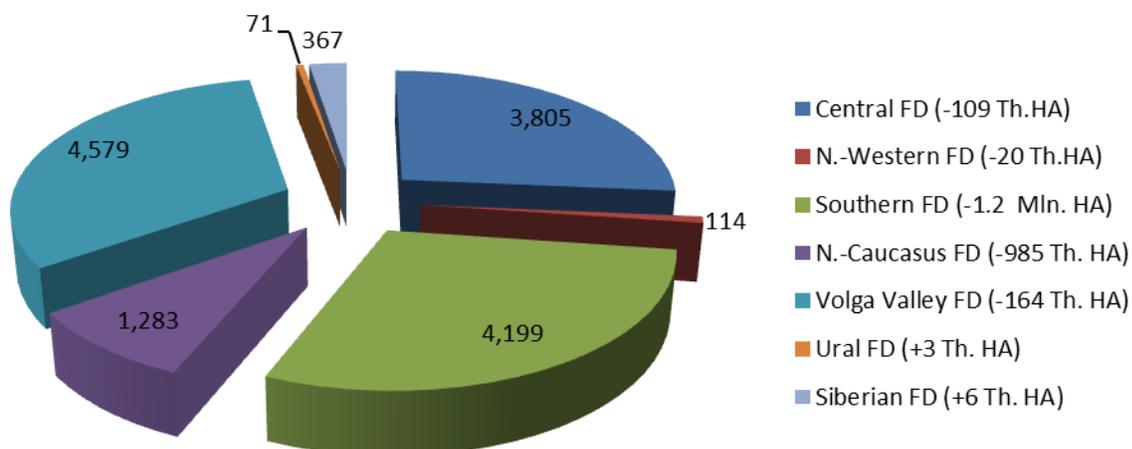


Source: FAS/Moscow based on the Ministry of Agriculture's data

Winter Crop Sowing

Winter planting continues at approximately the same pace as last year. As of October 12, 2016, Russia planted 14.71 million hectares to winter crops. At the same time in 2015, 14.77 million hectares had been planted to winter crops. In most provinces where winter crops are sown, the soil moisture level is better this year than last year. Sowing of winter crops is lagging behind last year in the North Caucasus FD (minus 28 percent) and the Southern FD (minus 1 percent). In the Central FD and the Volga Valley FD, the other two major winter crop producing areas in Russia, winter crop sowing is moving faster than last year by 2 percent and 9 percent, respectively. Winter crop sowing in the North-Western, Ural and Siberian federal districts is also moving faster this year compared to last year, but farmers in these districts primarily produce spring crops. According to estimates from the Russian Ministry of Agriculture, the total winter crop area, which includes winter grains and some fodder crops, will be 16.9 million hectares.

**Chart 4. Area sown to winter crops, Oct. 11, 2016
(difference from plan is in brackets)**



Source: FAS/Moscow based on Ministry of Agriculture's data:

<http://www.mcx.ru/documents/document/show/35815.htm>

Exports

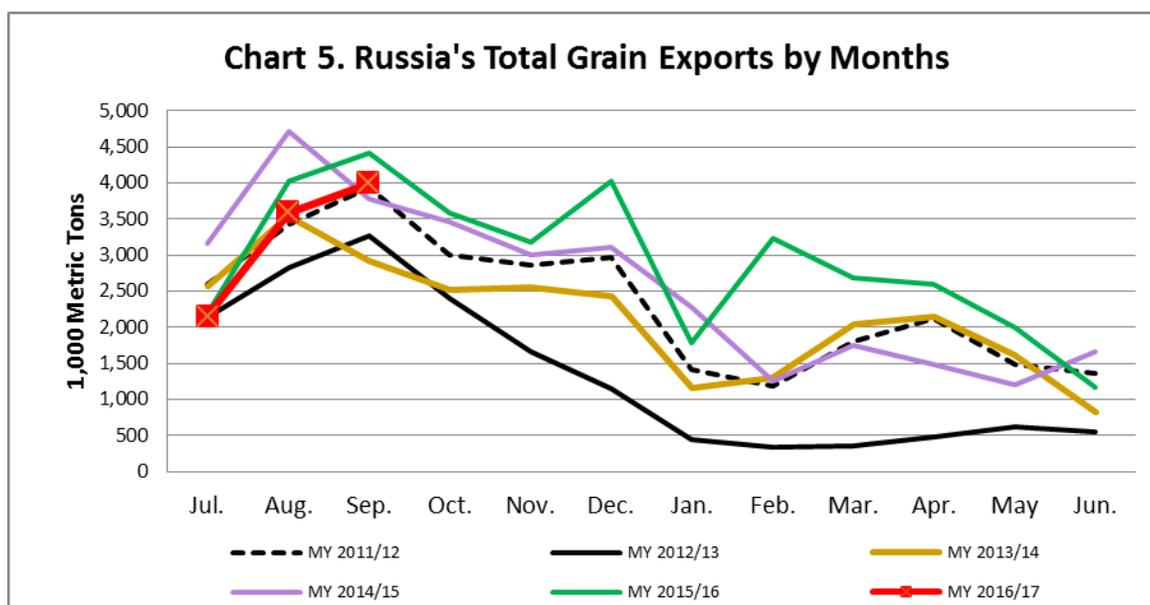
FAS/Moscow increased the total grain exports forecast by 1 MMT to 38 MMT, including 29.0 MMT of wheat (1 MMT lower than the official USDA forecast), 4.0 MMT of barley (matches the official USDA forecast), 4.0 MMT of corn (0.5 MMT lower than the official USDA forecast), and 1 MMT of other grains and pulses. Despite the bumper grain crop and the historic high wheat crop, Russia's grain exports from July to September 2016, were lagging behind y-o-y. Industry analysts attribute this to the absence of wheat exports to Egypt from August to September, due to Egypt's temporary zero *Ergot* requirements for wheat. Analysts estimate that since Egypt has restored a 0.05 percent tolerance for *Ergot* in wheat, Russia's exports of wheat will exceed exports last year by the end of 2016. Final 2016 exports of grain from Russia are projected to reach, or even exceed, the 40 MMT target set by the Ministry of Agriculture for grain exports in MY 2016/17. However, Post's forecast is more cautious. Despite the expected restoration of wheat exports to Egypt and the decrease of Russia's wheat export duty to zero until July 2018, Russia's wheat exports are constrained by the world vs domestic grain prices and the Ruble to the U.S. Dollar exchange rate (for more information see FAS/Moscow GAIN report [Grain and Feed Update September 2016 8-31-2016.pdf](#)). As of October 2016, both factors have influenced Russia's wheat exports. World wheat stocks are high and world wheat prices are low. The U.S. Dollar to Ruble exchange rate continues to be volatile, with a slight strengthening of the Ruble during the first part of October when the exchange rate decreased from 64 Rubles to 63 Rubles.

According to preliminary Russian Customs data, from July through September 2016, Russia exported 9.4 MMT of grain. This is 3 percent less than in the same period last year. However, since Egypt returned to a 0.05 tolerance for *Ergot* in wheat, exports to Egypt resumed in late September, and will possibly be reported in Russian Customs' September data. According to the Ministry of Agriculture, by October 6, 2016, Russia's total grain exports from the beginning of marketing year (July 1, 2016)

reached the same level as exports in the same period last year: 10.4 MMT, including 8.6 MMT of wheat, 1.3 MMT of barley, 0.48 MMT of corn, and 0.05 MMT of other grains. In the same period last year Russia exported 10.8 MMT of grain, including 8.4 MMT of wheat⁶.

Industry analysts estimate grain exports in October 2016 at 3.8-4.0 MMT, almost 14 percent more than in October 2015. They also estimate that the total grain exports during the period July to October will not be less than last year and that Russian grain exports for the period November to December, especially wheat exports, will surpass last year⁷ and ⁸.

The charts below are based on September estimates from industry analysts.

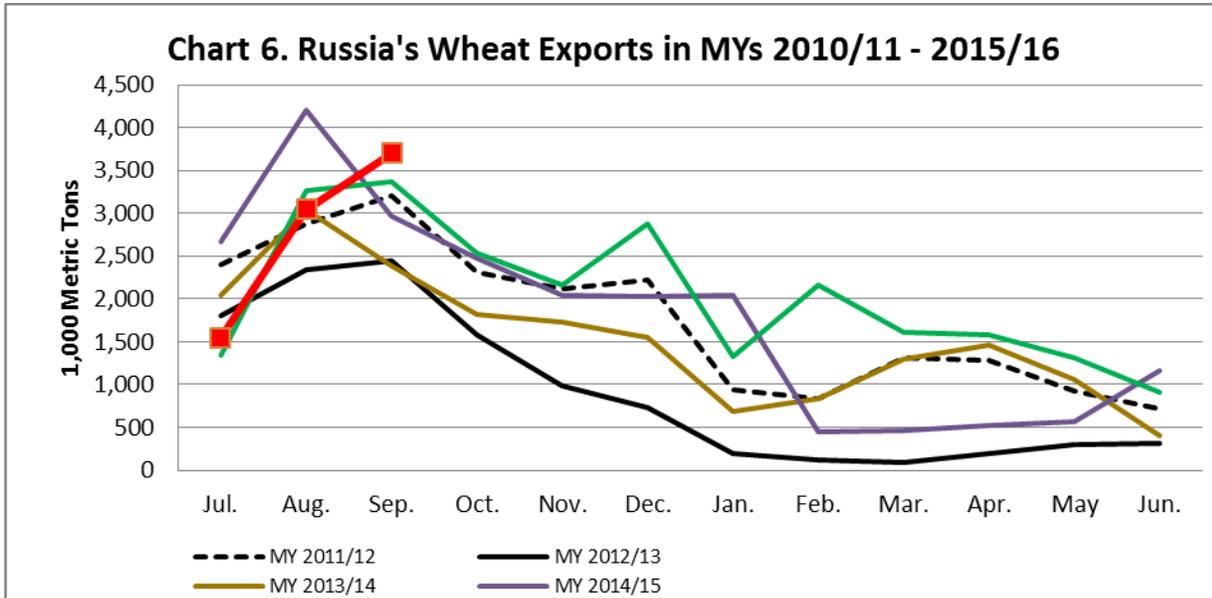


Source: FAS/Moscow based on Russia's Customs data. Exports in September 2016 is based on estimates of industry analysts

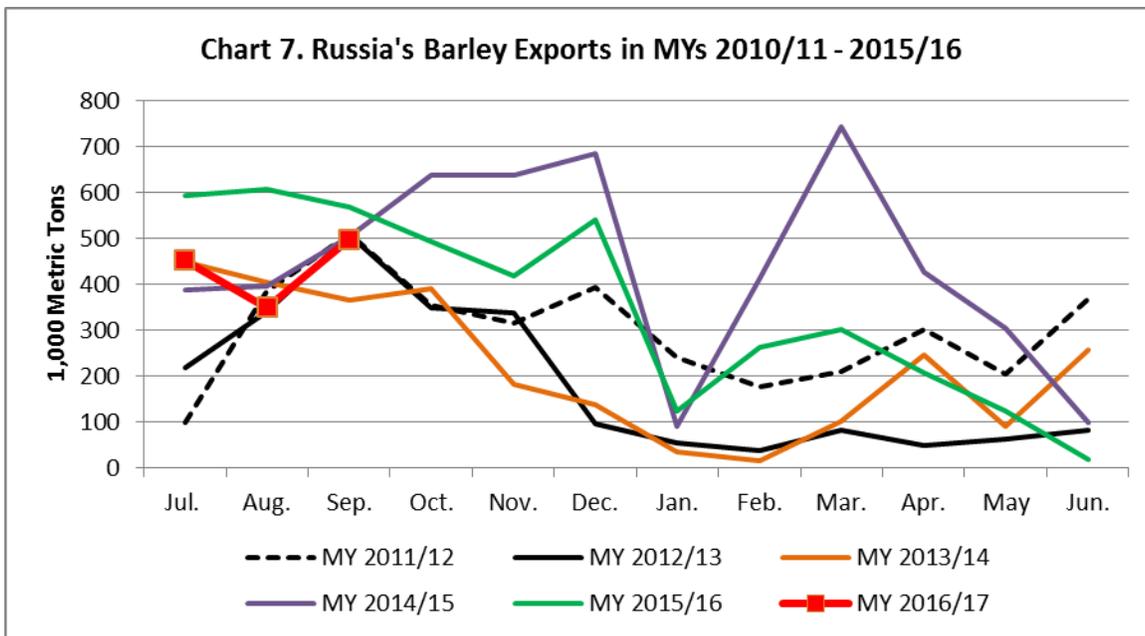
⁶ <http://www.zol.ru/n/28288>

⁷ <http://agro.ru/novosti/s-kh-proizvodstvo-fermerstvo/eksportery-zerna-planiruyut-narastit-postavki-za-rubezh/>

⁸ <http://www.vedomosti.ru/business/articles/2016/10/07/659951-prodazhi-zerna-normalizuyutsya>



Source: FAS/Moscow based on Russia's Customs data. Exports in September 2016 is based on estimates of industry analysts

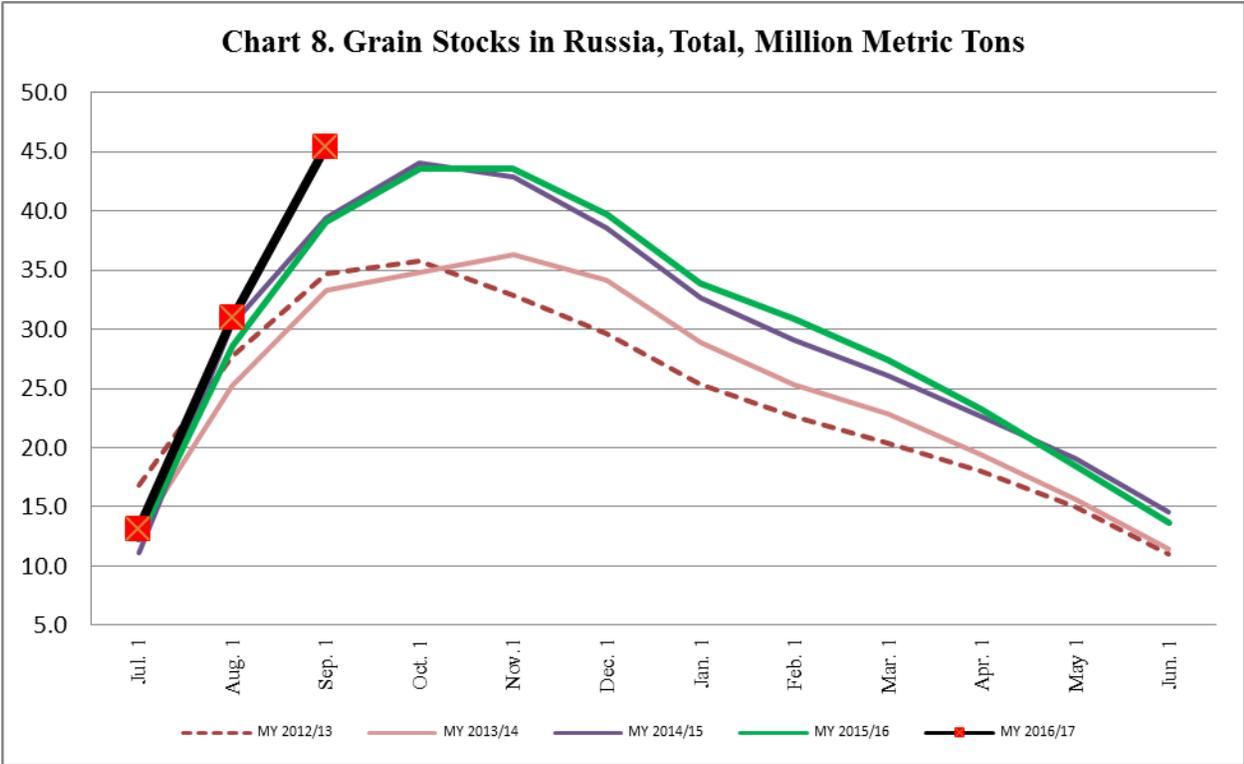


Source: FAS/Moscow based on Russia's Customs data. Exports in September 2016 is based on estimates of industry analysts.

Stocks

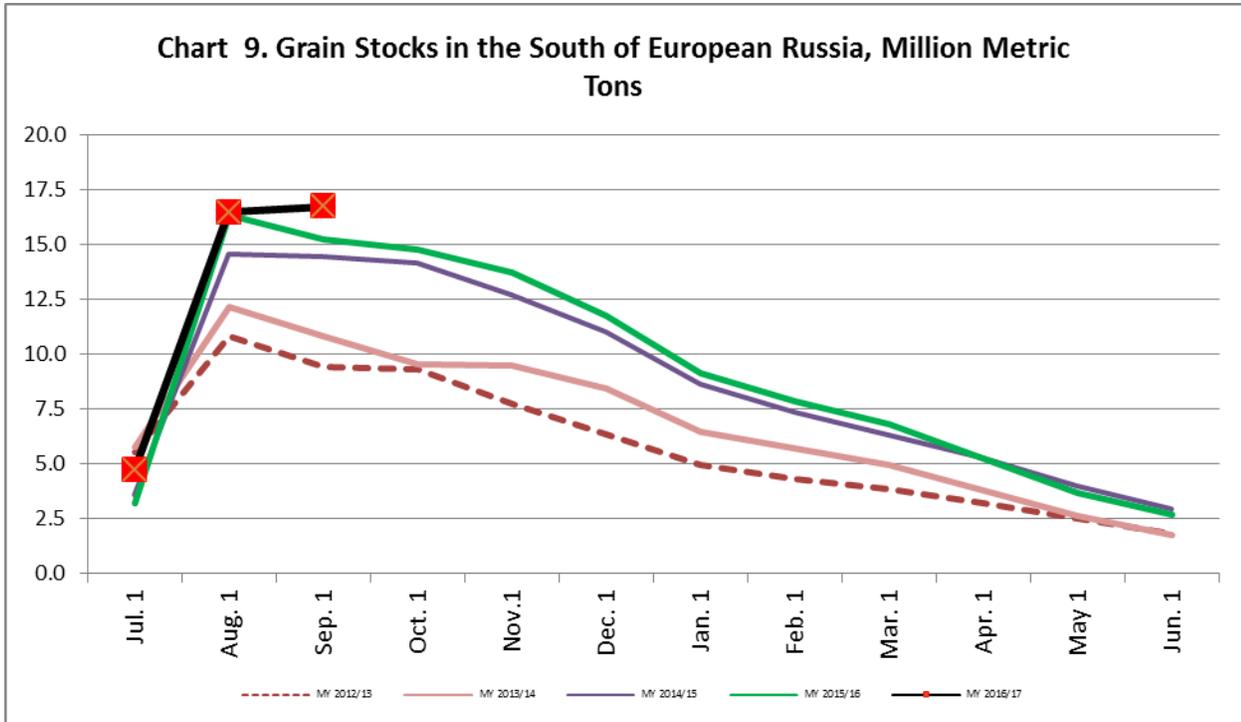
Due to the early harvest and the record high grain crop, Russia's grain stocks, as of September 1st, increased from August 1st nearly 15 MMT to 45.4 MMT. According to reports from the Russian State Statistical Service, this is the highest September 1st grain stocks level in the last 7 years. Another factor contributing to these large grain stocks was the slowing of Russia's grain exports during the period July to August 2016. In Southern European Russia (Southern and North Caucasus federal districts), Russia's major grain exporting federal districts, grain stocks also peaked. Given that the wheat crop in 2016 is

expected to be the highest in Russian history, it is consistent that September 1, 2016 wheat stocks at assembling and processing enterprises were also the highest September 1st stock levels in the last 7 years (the observed period)⁹.

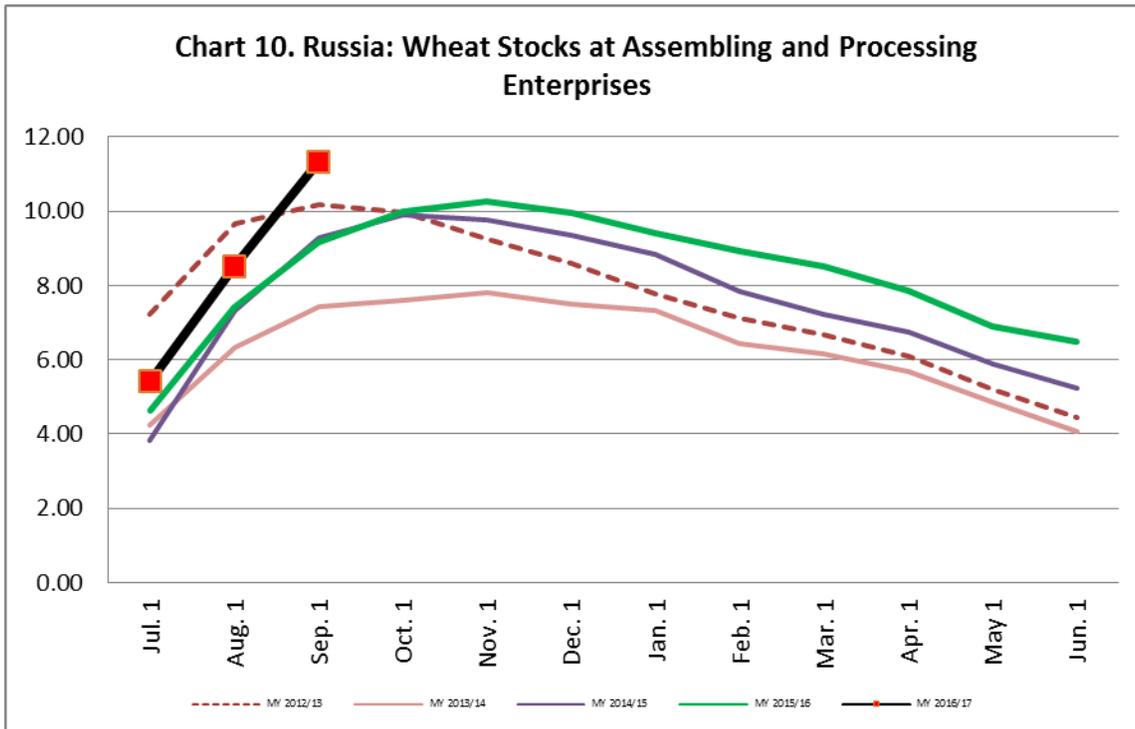


Source: FAS/Moscow based on the Rosstat data

⁹ http://www.gks.ru/bgd/free/b04_03/IssWWW.exe/Stg/d01/190zerno19.htm



Source: FAS/Moscow based on the Rosstat data



Source: FAS/Moscow based on the Rosstat data

Policy

Starting in September 2016, Russia began purchasing grain to the State Intervention Fund. At the end of September, the Russian Government temporarily decreased the wheat export duty to zero. These

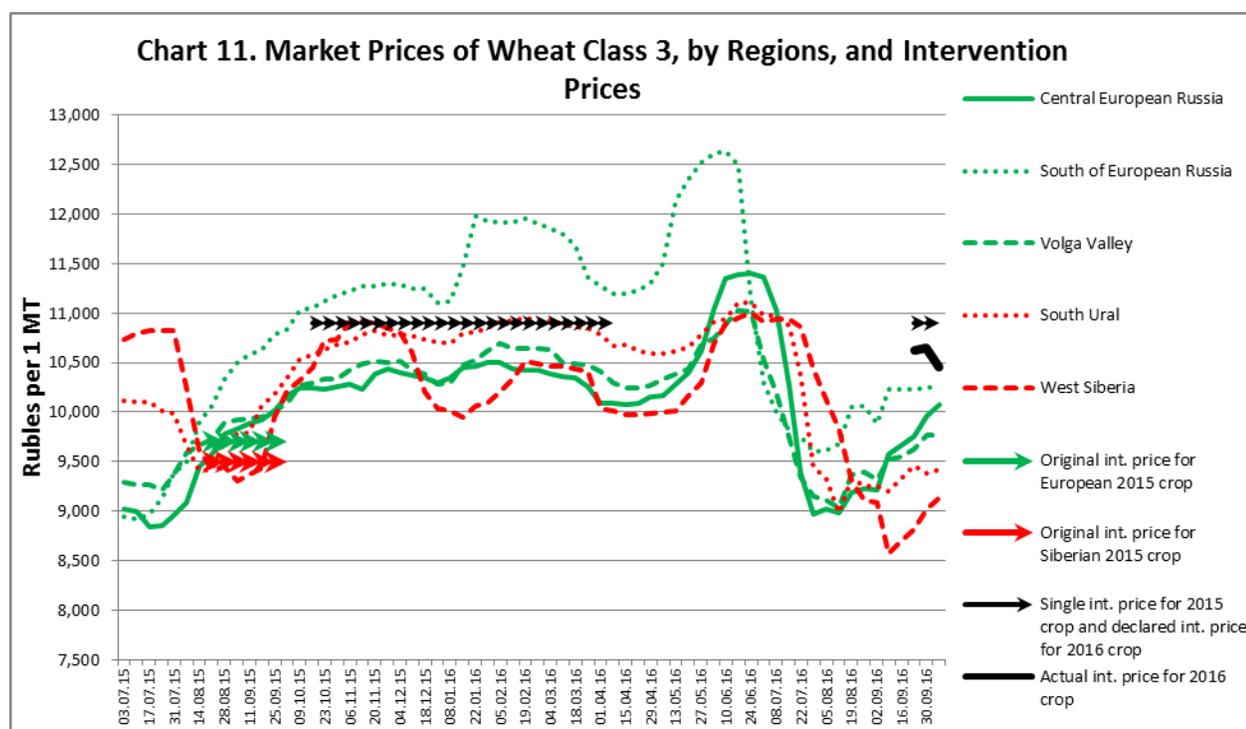
measures were aimed to stimulate grain exports and support domestic grain prices. However, the effect of these measures has been rather limited. The total amount of grain that may be purchased to the State Intervention Fund is estimated at a maximum of 2 MMT by the end of MY 2016/17, and the wheat export duty, at the current domestic price and the current exchange rate, did not play a significant role in traders' decisions.

Grain procurement intervention

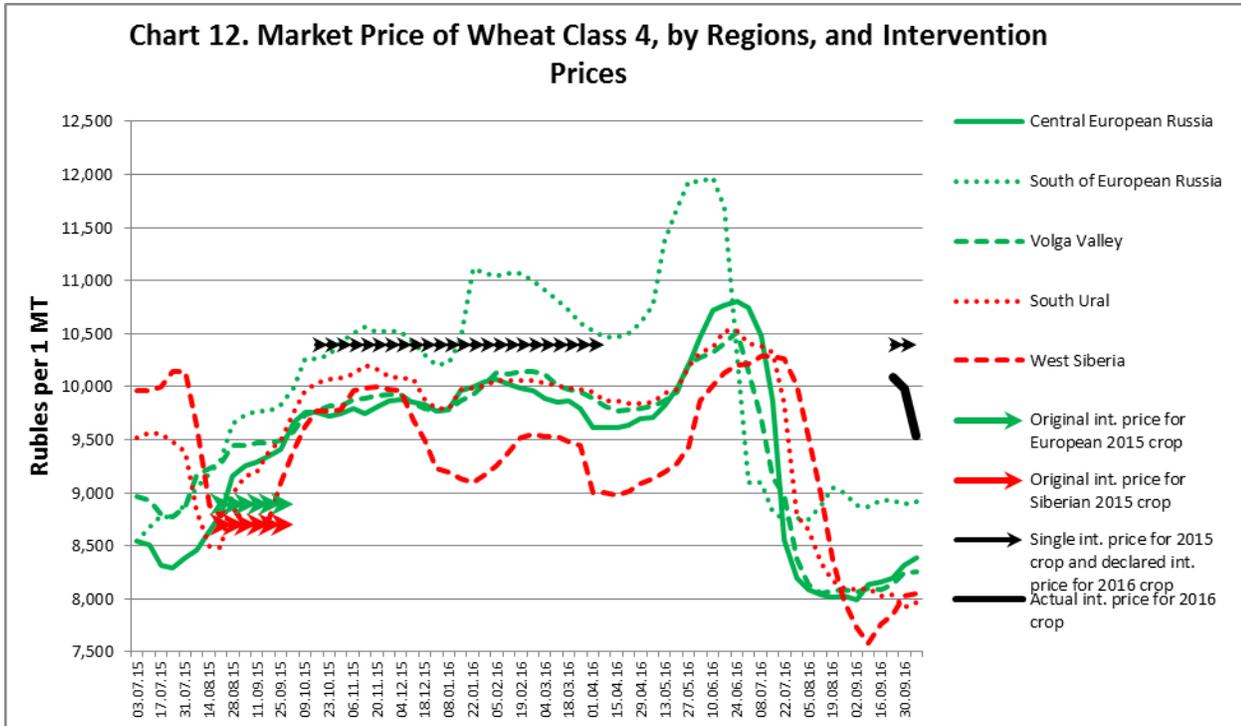
The Government purchases grain to the Intervention Fund through a Dutch type auction: the declared price is a ceiling and grain is purchased from farmers who offer grain at a lower price. Thus, the actual price is lower than the declared procurement price for grain.

In the fall of 2015, when grain prices started increasing, the Government switched to a single intervention price, regardless of where in Russia the wheat was grown. Prior to that, the intervention prices varied dependent on where the wheat was grown. Since last fall, the declared intervention price for each type of wheat has been the same for all Russian territories. In MY 2016/17, intervention purchases were conducted primarily in Siberia, Ural, Volga Valley from producers located far from major export points in the Black Sea and Azov-Don: Omsk oblast (Siberia), Kurgan oblast (Ural), Orenburg, Nizhniy Novgorod, Saratov, Samara, Ulyanovsk oblasts and, Bashkortostan Republic (Volga Valley), and Volgograd oblast.

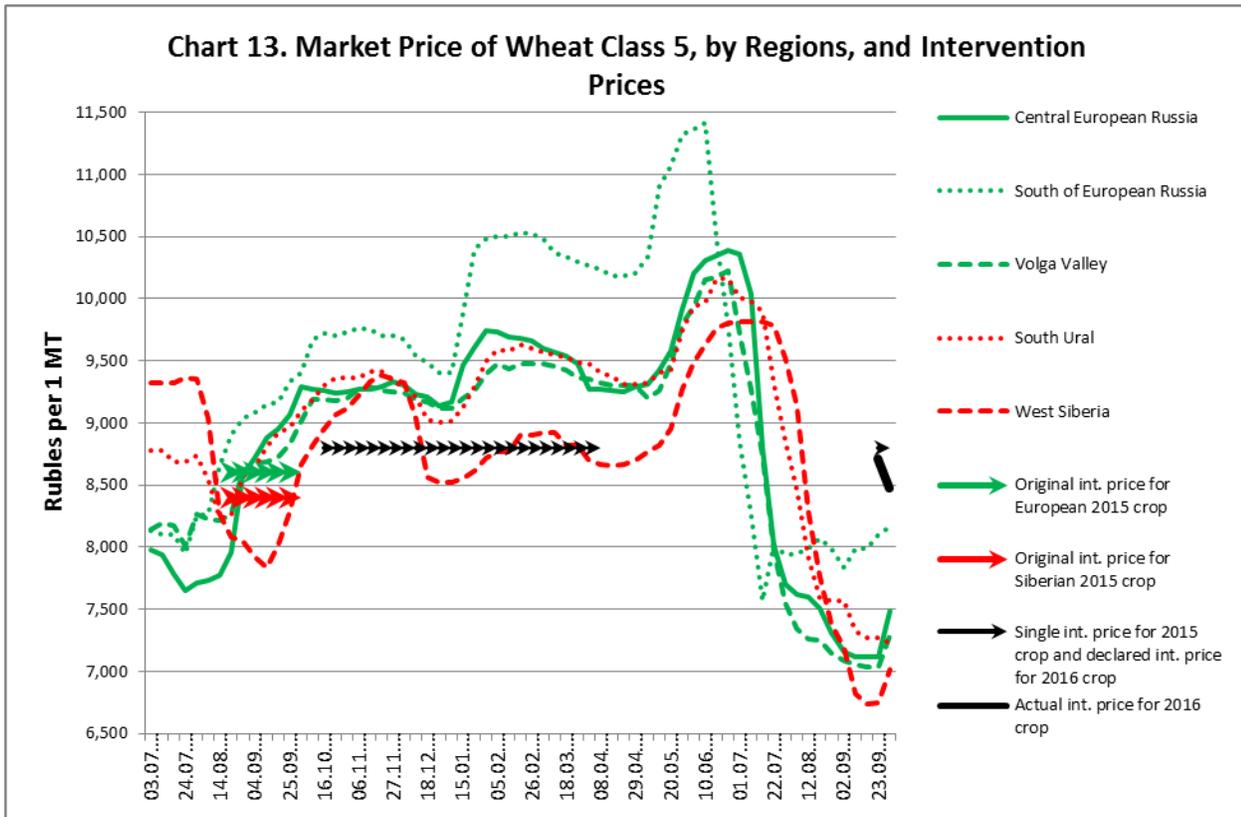
So far interventions have been attractive to farmers because the market prices for wheat in Siberia, Ural, and Volga Valley are lower than the procurement price (Charts 10-12).



Source: FAS/Moscow based on data from ProZerno and www.namex.org



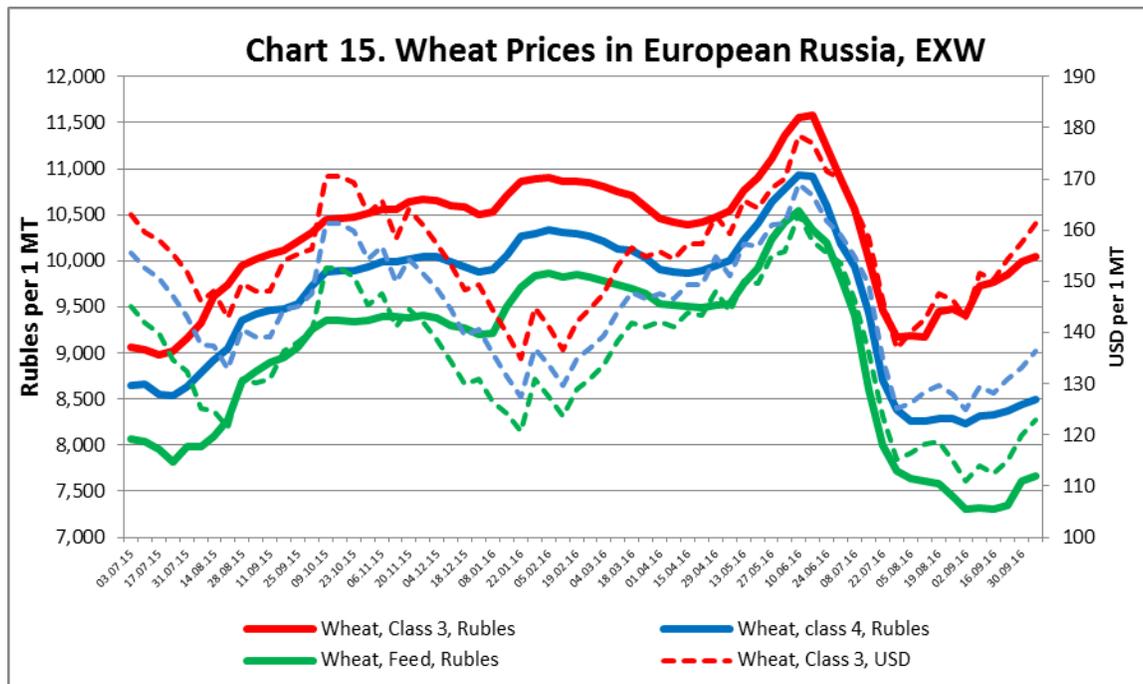
Source: FAS/Moscow based on data from ProZerno and www.namex.org



Source: FAS/Moscow based on data from ProZerno and www.namex.org

Marketing

There is no aggregate information on the quality of Russian wheat in 2016. Industry analysts report that despite the abundant wheat crop in European Russia, volumes of good quality wheat that meet the criteria of Class 3 and 4, and have high protein content, are approximately equal to last year. The demand for good quality wheat remains high, and is stimulated both by traders for exports and by domestic processors. Thus, domestic prices for wheat Class 3 continue to increase. Domestic prices of wheat Class 4 are also increasing, but at a slower pace. By the beginning of September, prices of wheat Class 5, which is considered feed quality wheat, reached the bottom, but began increasing. This increase is largely driven by the domestic demand for feed.



Source: FAS/Moscow based on ProZerno data

Production, Supply and Demand Data Statistics

Wheat Market Begin Year	2014/2015		2015/2016		2016/2017	
	Jul 2014		May 2015		Jul 2016	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Russia						
Area Harvested	23636	23636	25577	25577	26600	26600
Beginning Stocks	5177	5177	6285	6285	5601	5601
Production	59080	59080	61044	61044	72000	72000
MY Imports	328	328	815	815	500	500
TY Imports	328	328	815	815	500	500
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	64585	64585	68144	68144	78101	78101
MY Exports	22800	22800	25543	25543	30000	29000
TY Exports	22800	22800	25543	25543	30000	29000
Feed and Residual	13000	13000	14000	14000	15500	16000
FSI Consumption	22500	22500	23000	23000	23000	23000
Total Consumption	35500	35500	37000	37000	38500	39000
Ending Stocks	6285	6285	5601	5601	9601	10101
Total Distribution	64585	64585	68144	68144	78101	78101

(1000 HA) ,(1000 MT)						

Barley Market Begin Year Russia	2014/2015		2015/2016		2016/2017	
	Jul 2014		May 2015		Jul 2016	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	8803	8803	8042	8042	8000	8000
Beginning Stocks	904	904	1533	1533	836	836
Production	20026	20026	17083	17083	18000	18000
MY Imports	39	39	61	61	50	50
TY Imports	16	16	60	60	50	50
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	20969	20969	18677	18677	18886	18886
MY Exports	5336	5336	4241	4241	4000	4000
TY Exports	5807	5807	3700	3700	4000	4000
Feed and Residual	9200	9200	8900	8900	9100	9100
FSI Consumption	4900	4900	4700	4700	4800	4800
Total Consumption	14100	14100	13600	13600	13900	13900
Ending Stocks	1533	1533	836	836	986	986
Total Distribution	20969	20969	18677	18677	18886	18886

(1000 HA) ,(1000 MT)

Corn Market Begin Year Russia	2014/2015		2015/2016		2016/2017	
	Oct 2014		May 2015		Oct 2016	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	2596	2596	2671	2671	2800	2800
Beginning Stocks	290	290	348	348	266	266
Production	11325	11325	13168	13168	14000	13000
MY Imports	46	46	50	50	50	50
TY Imports	46	46	50	50	50	50
TY Imp. from U.S.	1	1	0	0	0	0
Total Supply	11661	11661	13566	13566	14316	13316
MY Exports	3213	3213	4400	4400	4500	4000
TY Exports	3213	3213	4400	4400	4500	4000
Feed and Residual	7200	7200	8000	8000	8600	8100
FSI Consumption	900	900	900	900	900	900
Total Consumption	8100	8100	8900	8900	9500	9000
Ending Stocks	348	348	266	266	316	316
Total Distribution	11661	11661	13566	13566	14316	13316

(1000 HA) ,(1000 MT)

Rye Market Begin Year Russia	2014/2015		2015/2016		2016/2017	
	Jul 2014		May 2015		Jul 2016	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	1853	1853	1249	1249	1200	1200
Beginning Stocks	344	344	264	264	130	130
Production	3279	3279	2084	2084	2300	2300
MY Imports	5	5	5	5	5	5
TY Imports	5	5	5	5	5	5
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	3628	3628	2353	2353	2435	2435
MY Exports	114	114	48	48	50	50
TY Exports	121	121	40	40	50	50
Feed and Residual	550	550	225	225	150	150
FSI Consumption	2700	2700	1950	1950	2100	2100

Total Consumption	3250	3250	2175	2175	2250	2250
Ending Stocks	264	264	130	130	135	135
Total Distribution	3628	3628	2353	2353	2435	2435
(1000 HA) ,(1000 MT)						

Oats Market Begin Year Russia	2014/2015		2015/2016		2016/2017	
	Jul 2014		May 2015		Jul 2016	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	3077	3077	2829	2829	2700	2700
Beginning Stocks	230	230	289	289	197	197
Production	5267	5267	4527	4527	4700	4700
MY Imports	1	1	0	0	0	0
TY Imports	1	1	0	0	0	0
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	5498	5498	4816	4816	4897	4897
MY Exports	9	9	19	19	10	10
TY Exports	14	14	20	20	10	10
Feed and Residual	3700	3700	3000	3000	3000	3000
FSI Consumption	1500	1500	1600	1600	1600	1600
Total Consumption	5200	5200	4600	4600	4600	4600
Ending Stocks	289	289	197	197	287	287
Total Distribution	5498	5498	4816	4816	4897	4897
(1000 HA) ,(1000 MT)						

Rice, Milled Market Begin Year Russia	2014/2015		2015/2016		2016/2017	
	Jan 2015		Jan 2016		Jan 2016	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	196	196	199	199	203	203
Beginning Stocks	84	84	101	101	88	88
Milled Production	682	682	722	722	725	725
Rough Production	1049	1049	1111	1111	1115	1115
Milling Rate (.9999)	6500	6500	6500	6500	6500	6500
MY Imports	228	228	190	190	190	190
TY Imports	228	228	190	190	190	190
TY Imp. from U.S.	1	1	0	0	0	0
Total Supply	994	994	1013	1013	1003	1003
MY Exports	163	163	190	190	180	180
TY Exports	163	163	190	190	180	180
Consumption and Residual	730	730	735	735	745	745
Ending Stocks	101	101	88	88	78	78
Total Distribution	994	994	1013	1013	1003	1003
(1000 HA) ,(1000 MT)						

Millet Market Begin Year Russia	2014/2015		2015/2016		2016/2017	
	Jul 2014		May 2015		Jul 2016	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	397	397	440	440	400	400
Beginning Stocks	0	0	0	0	0	0
Production	489	489	565	565	500	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	489	489	565	565	500	500
MY Exports	0	0	0	0	0	0

TY Exports	0	0	0	0	0	0
Feed and Residual	225	225	320	320	250	250
FSI Consumption	264	264	245	245	250	250
Total Consumption	489	489	565	565	500	500
Ending Stocks	0	0	0	0	0	0
Total Distribution	489	489	565	565	500	500
(1000 HA) ,(1000 MT)						