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Grain and Feed Update

Grain and Feed October 2015 Update

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Report Highlights:

FAS/Moscow increased post's July 2015 grain production forecast by 5 million metric tons (MMT) to 102 MMT. The grain crop forecast includes 60.5 MMT of wheat (4.5 MMT higher than the July forecast), 16.5 MMT of barley (no change), 12.5 MMT of corn (up 0.5 MMT), 3,200 MMT of rye (up 0.2 MMT), 4.8 MMT of oats (down 0.2 MMT), 0.7 MMT of milled rice (1.06 MMT in rough weight – no change), and almost 3.5 MMT of other grains and pulses. FAS/Moscow forecasts grain exports in MY 2015/16 at 31 MMT, only 3 percent lower than the record 32 MMT exports in MY 2014/15, but higher than in any other marketing year in Russian history. The export forecast includes 23.5 MMT of wheat, 3.5 MMT of barley, 3.5 MMT of corn, and approximately 0.6 MMT of other grains and pulses.

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.

Executive Summary

FAS/Moscow increased post's July 2015 grain production forecast by 5 million metric tons (MMT) to 102 MMT. The grain crop forecast includes 60.5 MMT of wheat (4.5 MMT higher than the July forecast), 16.5 MMT of barley (no change), 12.5 MMT of corn (up 0.5 MMT), 3,200 MMT of rye (up 0.2 MMT), 4.8 MMT of oats (down 0.2 MMT), 0.7 MMT of milled rice (1.06 MMT in rough weight – no change), and almost 3.5 MMT of other grains and pulses.

FAS/Moscow increased its forecast compared with the July 2015 forecast based on better than previously forecast harvest for both wheat and corn crops:

- The wheat crop is higher than previously forecast due to a larger harvested area that more than compensated for the yields that are somewhat smaller than last year. Conditions for wheat harvest were favorable almost all over Russia. However, yields are down in the Volga Valley and in some provinces of the Central Federal District (FD) due to spring and summer dryness;
- The area sown to corn was larger than last year, and so far yields of corn this year have been higher than last year. However, as of October 23, 2015, farmers harvested only 1.9 million hectares, or 67 percent of corn area, so any snowfall in Central European Russia in late October could ultimately impact total yields.

FAS/Moscow forecasts grain exports in MY 2015/16 at 31 MMT, only 3 percent lower than the record 32 MMT exports in MY 2014/15, but higher than in any other marketing year in Russian history. The export forecast includes 23.5 MMT of wheat, 3.5 MMT of barley, 3.5 MMT of corn, and approximately 0.6 MMT of other grains and pulses. Wheat comprises the major portion of grain exports, and because of the good crop, wheat exports in MY 2015/16 may reach the highest level in the Russian history.

The government softened the terms for calculation of the “floating” export duty on wheat, and this also may stimulate Russian traders to increase wheat exports. In the beginning of October 2015, the government also increased the price offered for purchases of grain to the State Intervention Fund. However, intervention purchases based on the new prices have not yet begun and industry analysts estimate that these new prices may influence only wheat from markets in the Ural and Siberian regions, where it is difficult for farmers to gain access to foreign markets. Of course, Russian MY 2015/16 grain exports will also be influenced by external factors, such as global grain market prices and fluctuations in the Russian ruble to U.S. dollar exchange rate, which are not considered in the FAS/Moscow forecast.

Assuming grain exports at 31 MMT, FAS/Moscow forecasts feed consumption of grain at 35.5

MMT, 0.5 MMT higher than in MY 2014/15, and food, seed and industrial consumption of grain at 36 MMT, a 2 percent increase from last year. End of year grain stocks are forecast at the same level as last year.

Production

FAS/Moscow increased its July 2015 grain production forecast by 5 million metric tons (MMT) to 102 MMT. The grain crop forecast includes 60.5 MMT of wheat (4.5 MMT higher than the July forecast), 16.5 MMT of barley (no change), 12.5 MMT of corn (up 0.5 MMT), 3,200 MMT of rye (up 0.2 MMT), 4.8 MMT of oats (down 0.2 MMT), 0.7 MMT of milled rice (1.06 MMT in rough weight – the same), and almost 3.5 MMT of other grains and pulses.

The first official data on the Russian grain crop in clean weight may be published later in November 2015. So far the Russian Minister of Agriculture reported that the grain crop will be not less than 100 MMT, other sources estimate the grain crop at 103-104 MMT¹.

Harvest Progress

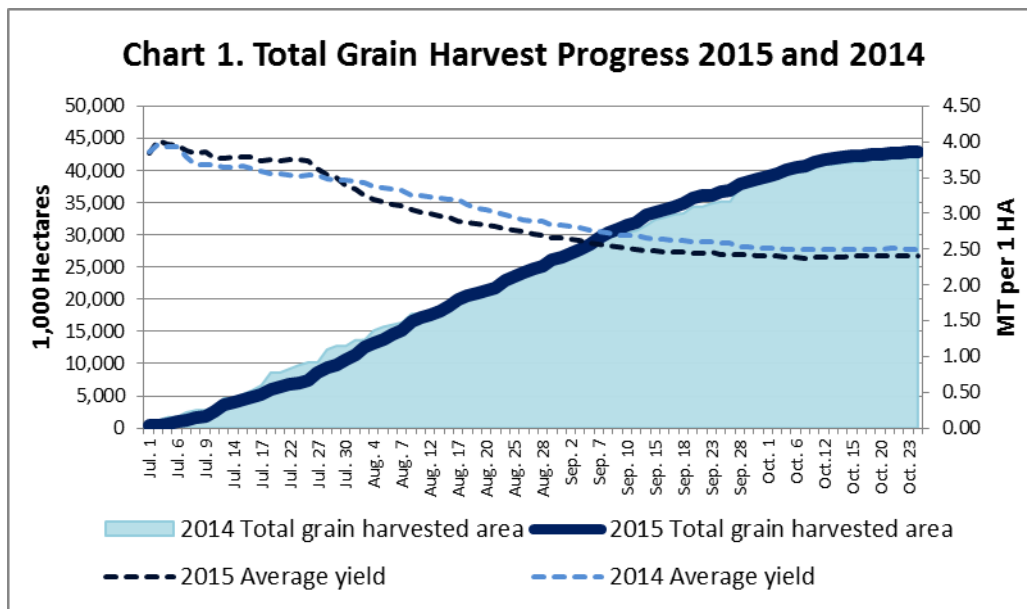
According to the Russian Ministry of Agriculture, as of October 26, 2015, Russia harvested 105.0 million metric tons (bunker weight) of grain² from 43.37 million hectares, or 97.8 percent of area planned for harvest³. This includes 63.81 MMT of wheat from 25.44 million hectares, or 99.7 percent of area planned for harvest, 18.21 MMT of barley from 8.17 million hectares, or 99.6 percent of area planned for harvest, and 10.12 MMT of corn from 1.93 million hectares, or 70.8 percent of area planned for harvest. By the end of October almost all wheat and barley were harvested nearly everywhere in Russia. However, farmers continue harvesting corn, rice and other grains and pulses. The total grain harvest in 2015 is very similar to 2014: the area harvested is slightly more than in 2014, while the average grain yield is slightly smaller than in 2014 (Chart 1). Wheat harvested area in 2015 is larger than last year, and despite somewhat smaller yields, the wheat crop is expected to be higher than last year (Chart 2). For barley, both the harvested area and the yields are lower than last year, and the total crop is expected to be lower than last year (Chart 3). Corn yields are higher than last year, and although the harvested area is lagging behind the harvest last year, corn production in 2015 is expected to be higher than last year (Chart 4), assuming that late–October snow in Central European Russia does not damage crops still to be harvested⁴.

¹ Russian Ministry of Agriculture and Russian industry analysts include Crimea in the total Russian grain crop estimates.

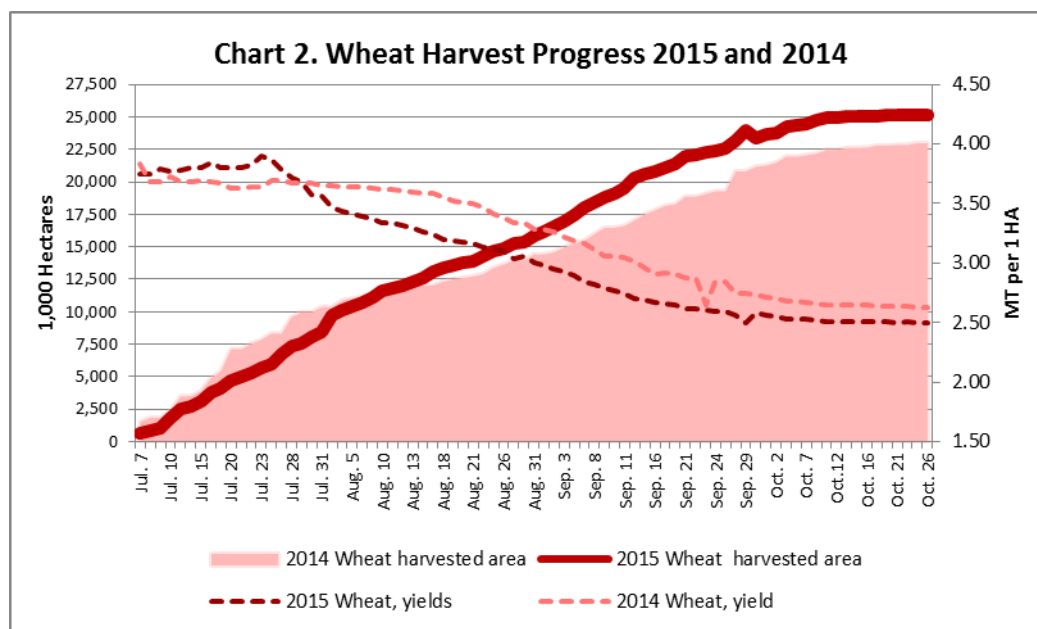
² All harvest data are in bunker weight. After cleaning and drying, the weight of grain, called clean weight, will be 3 to 8 percent lower than bunker weight.

³ The Ministry of Agriculture data includes 1.43 MMT of grain harvested in Crimea from 495,000 hectares, including 844,200 MT of wheat from 270,300 hectares, 525,400 MT of barley from 192,300 hectares, and 2,100 MT of corn from 800 hectares, and 58,100 MT of other grains and pulses. This is not included in FAS/Moscow estimates.

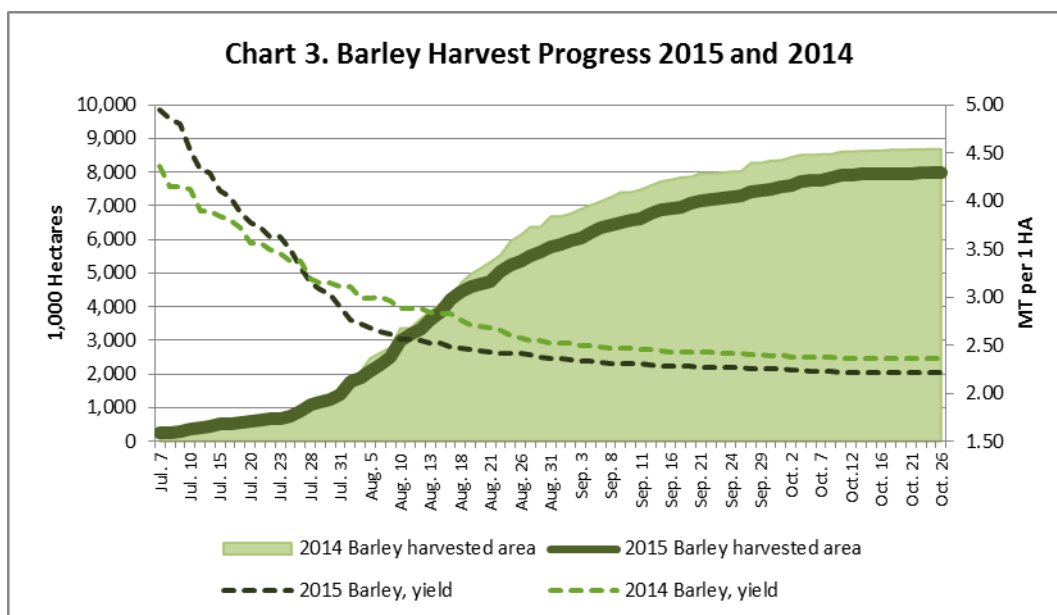
⁴ Please note that Charts 1 through 4 do not include data on Crimea.



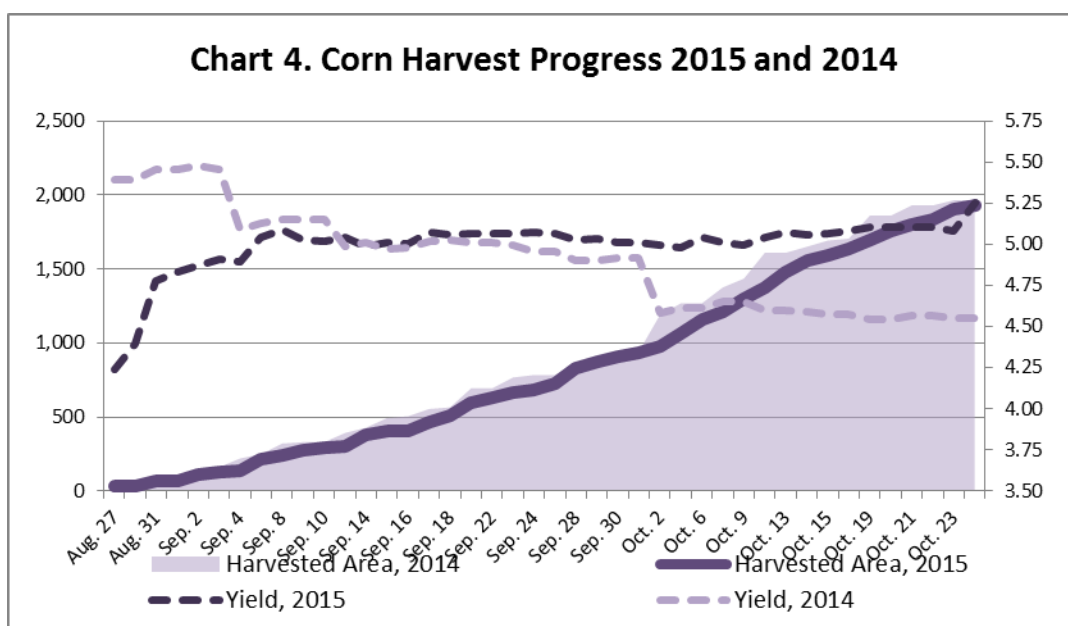
Source: FAS/Moscow based on Russian Ministry of Agriculture data



Source: FAS/Moscow based on Russian Ministry of Agriculture data



Source: FAS/Moscow based on Russian Ministry of Agriculture data



Source: FAS/Moscow based on Russian Ministry of Agriculture data

Winter Crop Sowing Status

As of October 23, 2015, Russian farmers planted 15.59 million hectares to winter crops that mainly include winter grains, although some portion of winter area is also sown to winter rapeseed. This area is 0.6 million hectares smaller than the winter grain area sown on the same date in 2014. However, it is still too early to make a forecast on the status of winter grain crops.

Trade

FAS/Moscow forecasts grain exports in MY 2015/16 at 31 MMT, only 3 percent lower than the record the MY 2014/15 exports of 32 MMT, but higher than in any other marketing year in Russian

history. The export forecast includes: 23.5 MMT of wheat, 3.5 MMT of barley, 3.5 MMT of corn, and approximately 0.6 MMT of other grains and pulses. Wheat comprises the major portion of grain exports, and its exports in MY 2015/16 may reach the highest level in the Russian history due to a good crop.

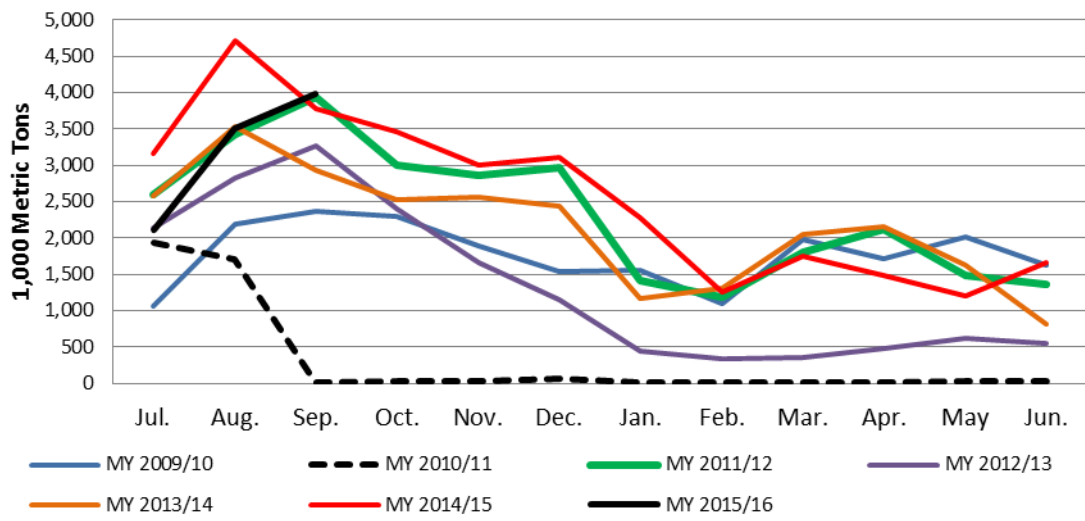
According to Russian Customs data, from July through September 2015, Russia exported 9.59 MMT of grain (including wheat flour in grain equivalent) and pulses. This compares to 11.66 MMT during the same period last year, and was the third largest export volume in Russian history. The Russian Grain Union estimates grain exports in October 2015 at 4 MMT, including 2 MMT of grain that were already exported in the first half of October.

According to official Customs data, from July through September 2015, exports of wheat, Russia's main exported grain, lagged behind wheat exports during the same months in 2014, 2013, and 2011, and was only 6 percent higher than exports during that period in 2012. Official data show that from July through September 2015, the main destinations of Russian wheat exports were Egypt (1.3 MMT), Turkey (0.9 MMT), and Iran (0.6 MMT). It is worth noting that due to the complexity of calculating the former wheat export duty that was in force from July through September 2015, some industry analysts estimate that actual exports of wheat in August and September were larger than reported by Customs data, and these uncounted volumes may be included in October and November, while actual exports in October and November might be smaller than reported by Customs. According to these analysts, total grain exports for the period from July through September 2015 were 11.4 MMT, including 8.7 MMT of wheat, which are almost the same volumes as the period July through September 2014. The softening of the wheat export duty in the beginning of October 2015, will likely stimulate wheat exports beginning October 2015.

Russian barley exports from July through September were 1.8 MMT, including 1.1 MMT exported to Saudi Arabia.

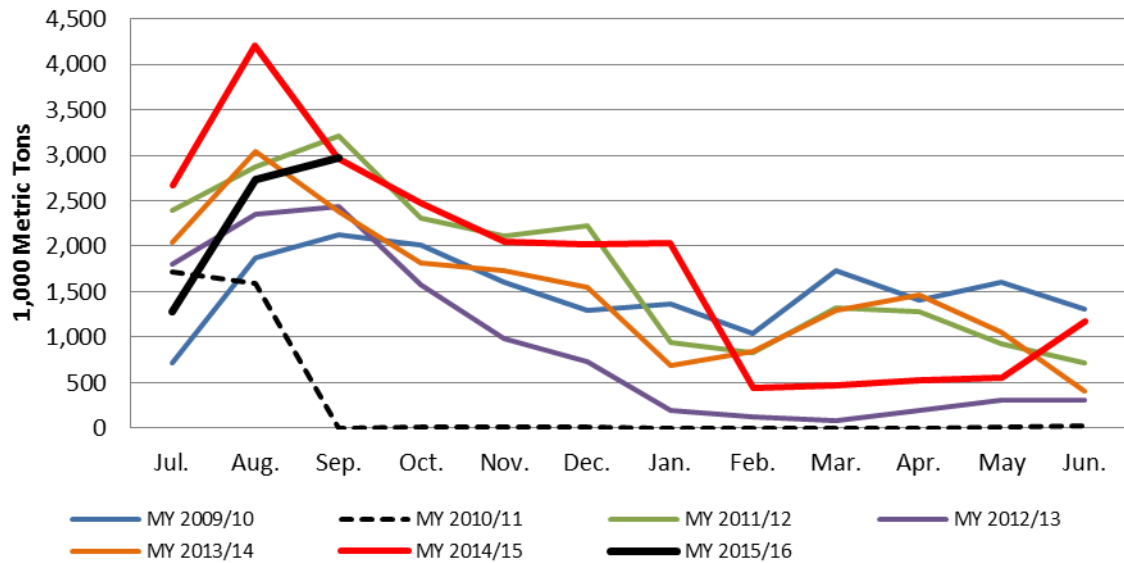
The marketing year for corn begins in October, and the bulk of corn exports is expected between October to December 2015. From July to September 2015, the last three months of corn marketing year 2014/15, Russia exported 0.5 MMT of corn. Total exports of corn in MY 2014/15 are 3.2 MMT, 24 percent less than in MY 2014/15.

Chart 5. Russia's Total Grain Exports in MYs 2009/10 - 2015/16

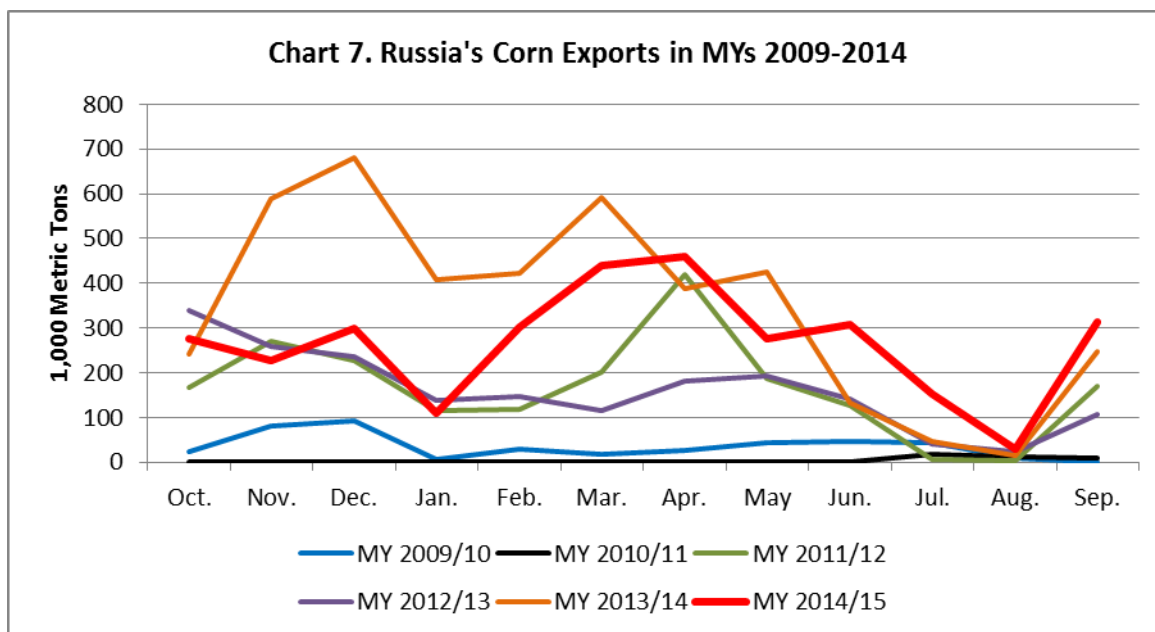


Source: FAS/Moscow based on Russian Customs monthly data.

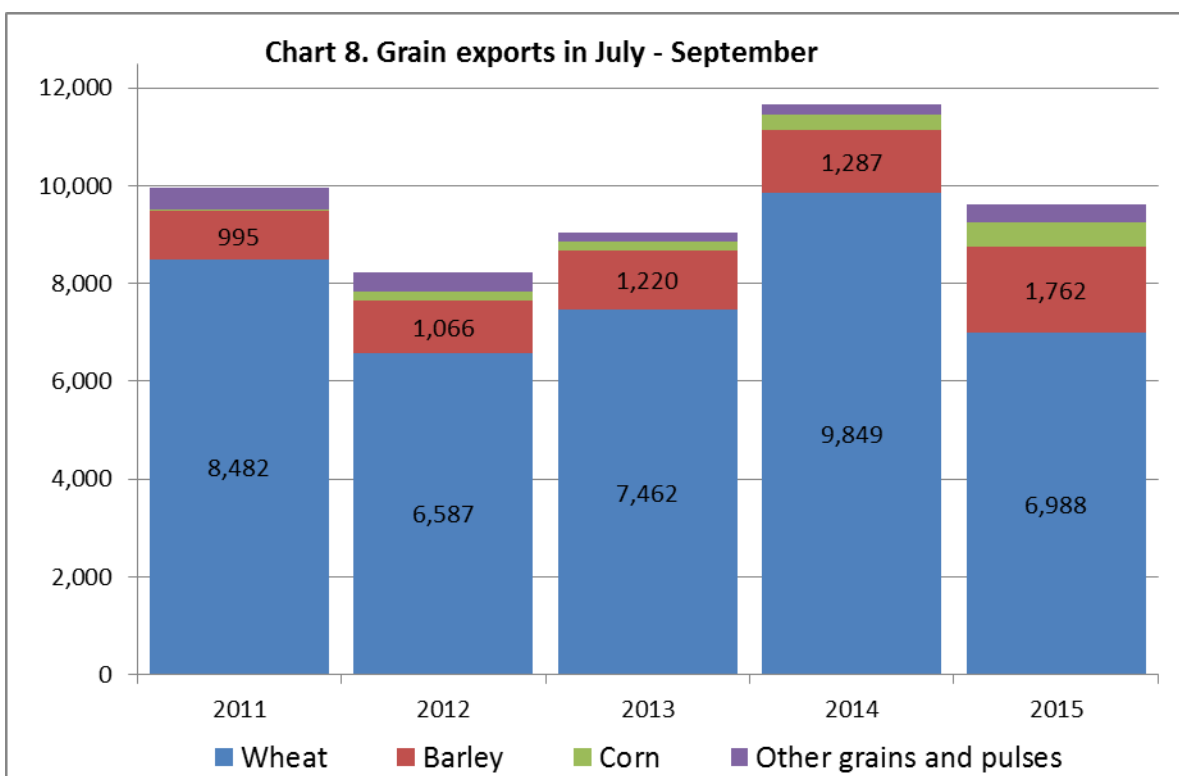
Chart 6. Russia's Wheat Exports in MYs 2009 - 2014



Source: FAS/Moscow based on Russian Customs monthly data



Source: FAS/Moscow based on Russian Customs monthly data



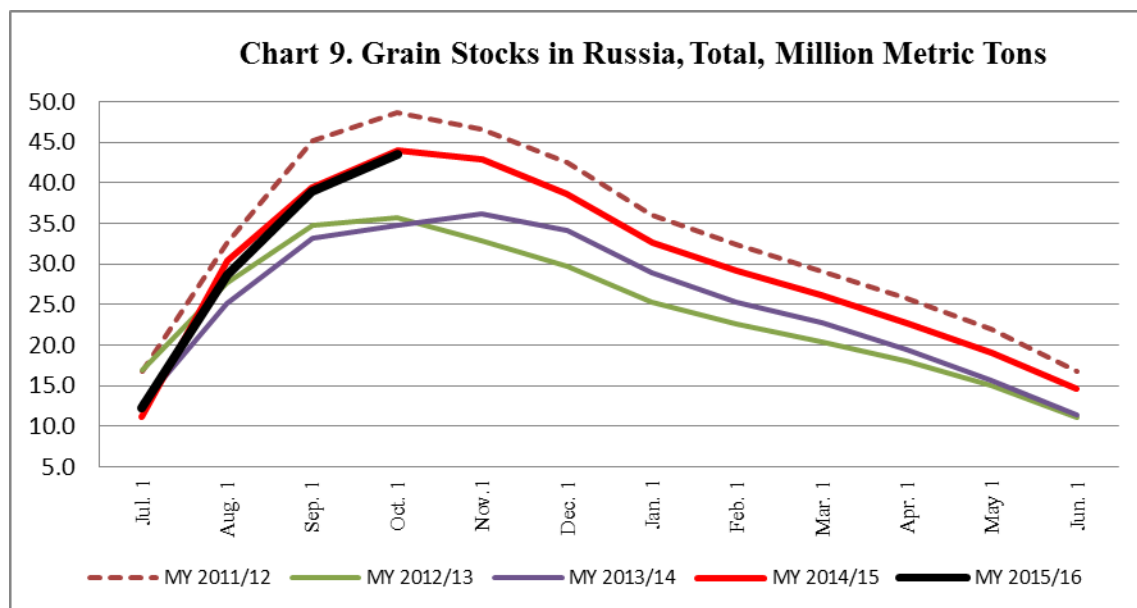
Source: FAS/Moscow based on Russian Customs monthly data

Stocks

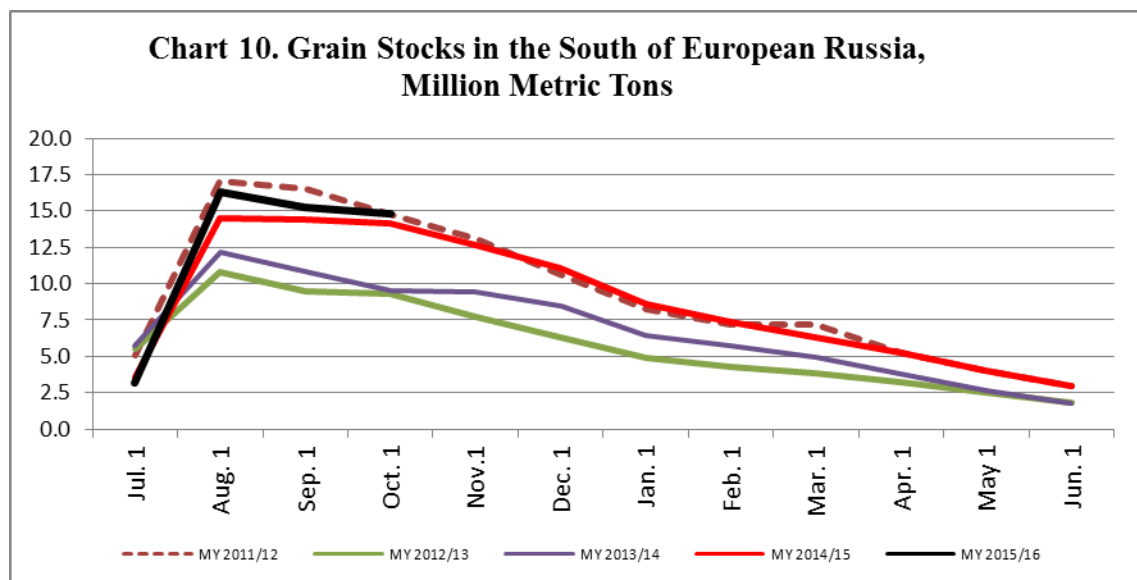
According to the Russian State Statistical Service (Rosstat), as of October 1, 2015, stocks of grain in agricultural enterprises and grain assembling and processing enterprises⁵ were 43.5 MMT. These

⁵ Rosstat does not count grain at small farms and at individual entrepreneurs.

stocks increased from September 1, 2015 by 11 percent along with progress of the grain harvest progress. Although these stocks were 1 percent lower than the grain stocks on October 1, 2014, this level is among the highest in the last 5 years. Grain stocks in the southern part of European Russia, Russia's major grain exporting area, are at the highest level, equal to those of October 2011, when stocks in this region also included grain from the 2010 crop that traders were not able to export because of the MY 2010/11 wheat export ban. Current high grain stocks this year in southern European Russia are primarily due to the abundant grain crop experienced in the region this year.



Source: Rosstat



Source: Rosstat

Policy

In October 2015, the Russian Government amended the formula for calculation of the floating wheat export duty and increased target prices for purchases of grain to the State Intervention Fund.

The export duty on wheat is still 50 percent of customs value, but the deductible portion of the wheat export duty was raised from 5,500 rubles to 6,500 rubles per 1 MT and the minimum amount of duty was decreased from 50 rubles to 10 rubles per 1 MT. Also, the duties placed on durum wheat and wheat planting seeds were lifted. For more information see FAS/Moscow GAIN report [Wheat Export Duty Amended 10-2-2015.pdf](#). Thus, the customs value threshold for wheat, when the minimum (10 rubles) duty will be applied, was raised from 11,000 rubles to 13,000 rubles per 1 MT. Industry analyst calculated that when the FOB price of wheat is approximately \$200 per 1 MT, and the exchange rate of \$1 is approximately 63 rubles the export duty will be minimal.

The prices for purchasing wheat to the State Intervention Fund were raised by 12 to 20 percent for milling wheat and from 2 to 5 percent for feed quality wheat, prices for food quality rye and fodder barley were raised by 16 percent. The price for corn remains unchanged. For more information see FAS/Moscow GAIN report [Intervention Prices for 2015 Crop Increased 10-19-2015.pdf](#).

Both the amended export duty and the increased intervention prices will likely increase the price of wheat in the domestic market. However, so far the impact of these two changes has not been significant. Industry analysts believe that traders had started anticipating both government measures in early September, and that prices traders were paying to farmers in late September and October 2015 already reflected these policy changes. The government will begin purchasing grain to the State Intervention Fund at the new prices on October 27, 2015.

In September 2015, the President of the Russian Federation instructed the government to prepare several documents concerning the development of the grain sector, including the following⁶:

- The draft federal law “On Grain Commodity Warehouses” that, among other, will allow the use of grain stored in elevators and warehouses in commercial transactions of grain without physical movement of this grain. The draft shall be submitted to the Duma by March 1, 2015;
- Ministry of Agriculture, Ministry of Finance, and Ministry of Economic Development, together with professional unions and associations, shall prepare proposals on amending the system of government-supported insurance of agricultural crops (by December 15, 2015), and the long term strategy for development of Russian grain complex (by April 1, 2016);
- The Government shall consider the changes in the structure of the State Program for Development of Agriculture in 2013-2020 in order to include a sub-program on support of export of agricultural products. The proposals shall be prepared by December 1, 2015.

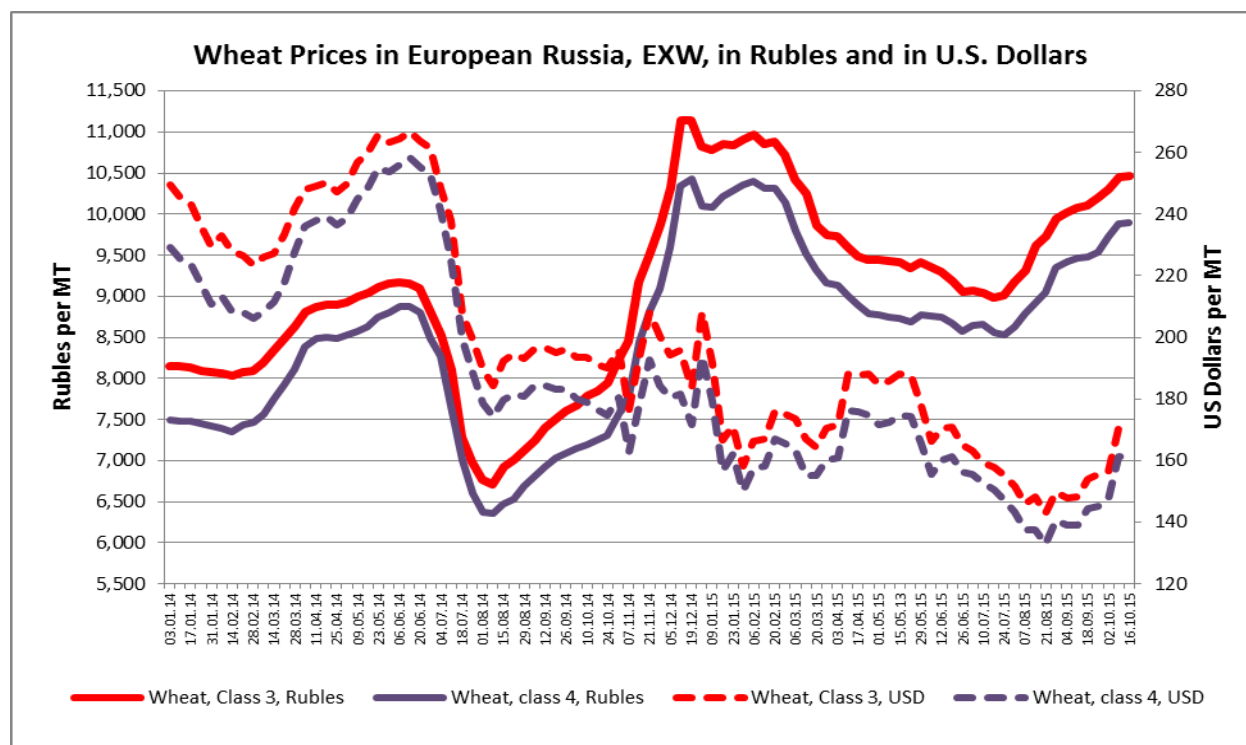
These recommendations outline the priority direction for government support of the Russian grain sector beginning 2016, but the influence of these expected documents on the grain sector will depend first on the scope of financing from the federal budget, which has not yet been increased.

Marketing

Domestic grain market prices increased during August and September 2015, despite good crop

⁶ List of Orders <http://kremlin.ru/acts/assignments/orders/50497>

prospects. This increase was caused by renewed devaluation of the Russian ruble and the resulting profitability of grain exports. A slight reversal of the ruble devaluation in October 2015 stabilized grain prices, although at a relatively high level.



Source: ProZerno

Production, Supply and Demand Data Statistics

Wheat Market Begin Year Russia	2013/2014		2014/2015		2015/2016	
	Jul 2013		Jul 2014		Jul 2015	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	23399	23399	23636	23636	25700	25265
Beginning Stocks	4952	4952	5175	5175	6282	6282
Production	52091	52091	59080	59080	61000	60500
MY Imports	800	800	327	327	350	350
TY Imports	800	800	327	327	350	350
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	57843	57843	64582	64582	67632	67132
MY Exports	18568	18568	22800	22800	23500	23500
TY Exports	18568	18568	22800	22800	23500	23500
Feed and Residual	12500	12500	13000	13000	14000	13500
FSI Consumption	21600	21600	22500	22500	23000	23000
Total Consumption	34100	34100	35500	35500	37000	36500
Ending Stocks	5175	5175	6282	6282	7132	7132
Total Distribution	57843	57843	64582	64582	67632	67132
(1000 HA) ,(1000 MT)						

Barley	2013/2014	2014/2015	2015/2016
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Market Begin Year	Jul 2013		Jul 2014		Jul 2015	
Russia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	8024	8024	8803	8803	7800	8000
Beginning Stocks	726	726	932	932	1622	1622
Production	15389	15389	20026	20026	17500	16500
MY Imports	198	198	100	100	100	100
TY Imports	194	194	100	100	100	100
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	16313	16313	21058	21058	19222	18222
MY Exports	2681	2681	5336	5336	4500	3500
TY Exports	2762	2762	5500	5500	4000	3200
Feed and Residual	8300	8300	9200	9200	8700	8700
FSI Consumption	4400	4400	4900	4900	4800	4800
Total Consumption	12700	12700	14100	14100	13500	13500
Ending Stocks	932	932	1622	1622	1222	1222
Total Distribution	16313	16313	21058	21058	19222	18222

(1000 HA) ,(1000 MT)

Corn	2013/2014		2014/2015		2015/2016	
Market Begin Year	Oct 2013		Oct 2014		Oct. 2015	
Russia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	2322	2322	2596	2596	2700	2700
Beginning Stocks	297	297	292	292	367	367
Production	11635	11635	11325	11325	13500	12500
MY Imports	52	52	50	50	50	50
TY Imports	52	52	50	50	50	50
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	11984	11984	11667	11667	13917	12917
MY Exports	4192	4192	2900	2900	4000	3500
TY Exports	4192	4192	2900	2900	4000	3500
Feed and Residual	6600	6600	7400	7400	8300	8000
FSI Consumption	900	900	1000	1000	1000	1000
Total Consumption	7500	7500	8400	8400	9300	9000
Ending Stocks	292	292	367	367	617	417
Total Distribution	11984	11984	11667	11667	13917	12917

(1000 HA) ,(1000 MT)

Rye	2013/2014		2014/2015		2015/2016	
Market Begin Year	Jul 2013		Jul 2014		Jul 2015	
Russia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	1777	1777	1853	1853	1800	1800
Beginning Stocks	153	153	345	345	265	265
Production	3360	3360	3279	3279	3300	3200
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	3518	3518	3629	3629	3570	3470
MY Exports	73	73	114	114	100	50
TY Exports	83	83	110	110	100	50
Feed and Residual	400	400	550	550	500	500
FSI Consumption	2700	2700	2700	2700	2700	2700
Total Consumption	3100	3100	3250	3250	3200	3200
Ending Stocks	345	345	265	265	270	220
Total Distribution	3518	3518	3629	3629	3570	3470

(1000 HA) ,(1000 MT)

Oats Market Begin Year Russia	2013/2014		2014/2015		2015/2016	
	Jul 2013		Jul 2014		Jul 2015	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	3007	3007	3077	3077	3000	3000
Beginning Stocks	203	203	229	229	286	286
Production	4932	4932	5267	5267	5000	4800
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	5135	5135	5496	5496	5286	5086
MY Exports	6	6	10	10	10	10
TY Exports	6	6	10	10	10	0
Feed and Residual	3400	3400	3700	3700	3400	3400
FSI Consumption	1500	1500	1500	1500	1700	1500
Total Consumption	4900	4900	5200	5200	5100	4900
Ending Stocks	229	229	286	286	176	176
Total Distribution	5135	5135	5496	5496	5286	5086

(1000 HA) ,(1000 MT)

Rice, Milled Market Begin Year Russia	2013/2014		2014/2015		2015/2016	
	Jan 2014		Jan 2015		Jan 2016	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	188	188	196	196	200	195
Beginning Stocks	84	84	84	84	46	46
Milled Production	608	608	682	682	700	700
Rough Production	935	935	1049	1049	1077	1077
Milling Rate (.9999)	6500	6500	6500	6500	6500	6500
MY Imports	299	299	200	200	250	250
TY Imports	299	299	200	200	250	250
TY Imp. from U.S.	4	4	0	0	0	0
Total Supply	991	991	966	966	996	996
MY Exports	187	187	190	190	160	160
TY Exports	187	187	190	190	160	160
Consumption and Residual	720	720	730	730	760	760
Ending Stocks	84	84	46	46	76	76
Total Distribution	991	991	966	966	996	996

(1000 HA) ,(1000 MT)

Millet Market Begin Year Russia	2013/2014		2014/2015		2015/2016	
	Jul 2013		Jul 2014		Jul 2015	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	355	355	397	397	400	400
Beginning Stocks	0	0	0	0	0	0
Production	419	419	489	489	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	419	419	489	489	500	500
MY Exports	0	0	0	0	0	0
TY Exports	0	0	0	0	0	0
Feed and Residual	200	200	225	225	250	250
FSI Consumption	219	219	264	264	250	250
Total Consumption	419	419	489	489	500	500

