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Report Highlights:

Assuming average weather conditions during the growing season, FAS/Moscow forecasts Russia's 2017 grain and pulses production at 110 million metric tons (MMT), a seven percent decrease from the 2016 crop but still higher than the previous five-year average of 98 MMT. The MY 2017/18 forecast, by crop, is: wheat – 66 MMT (nine percent or 6.5 MMT less than last year), barley – 16 MMT (1.5 MMT less than last year), corn – 15.3 MMT (the same as last year), rye – 2.6 MMT, oats – 4.5 MMT, milled rice – 715 thousand metric tons (TMT) (1.1 MMT in rough weight), millet - 550 TMT, and approximately 4.5 MMT of other grains and pulses. Grain exports for MY 2017/18 are forecast at 37.7 MMT, or 2.0 MMT more than the estimated 35.7 MMT of exports in 2016/17. The forecast for exports, by crop, are: 28 MMT of wheat, 3.3 MMT of barley, 5.4 MMT of corn, 180 TMT of milled rice, and approximately 860 TMT of other grains and pulses.

General Information:
NOTE: USDA unofficial data excludes Crimean production and exports. However, as of June 2014, Russian official statistics, including the Federal Statistical Service (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:
In 2016 weather conditions were extremely favorable for grain crops resulting in the second highest grain crop in Russian history.[1] This was one of the major factors contributing to record yields for the major grains. FAS/Moscow assumes that in 2017 weather will be closer to the average, and forecasts Russia's 2017 grain and pulses production at 110 million metric tons (MMT), a seven percent decrease from the 2016 crop but higher than the previous five-year average of 98 MMT. Overall the MY 2017/18 forecast, by crop, is wheat – 66 MMT (nine percent, or 6.5 MMT, lower than last year but still higher than the five-year average of 56.5 MMT), barley – 16 MMT (1.5 MMT lower than last year and 0.8 MMT lower than the five-year average of 16.8 MMT), corn – 15.3 MMT (the same as last year, and higher than the five-year average of 11.9 MMT), rye – 2.6 MMT, oats – 4.5 MMT, milled rice – 715 thousand metric tons (TMT) (1.1 MMT in rough weight), 550 TMT of millet, and approximately 4.5 MMT of other grains and pulses.

The grain production forecast is very preliminary, as most spring grains and pulses (which over the last five years, on average accounted for 59 percent of total grains) will not be planted for a number of weeks. Based on the estimates and forecasts of the Russian Ministry of Agriculture, winter grains sown area for the 2017 crop is 16.92 million hectares, and the area to be sown for spring grains and pulses is 31.13 million hectares.[2] Farmers planted a little more area to winter grains for the 2017 crop than for the 2016 crop, and so far the condition of winter grains in most areas is better than the five-year average. However, some industry analysts consider that as of the end of March, 2017, the condition of winter grains is worse than last year. Moreover, winter grains may be affected by weather during the end of April and May. Based on trend lines, FAS/Moscow forecasts winter wheat and barley yields slightly worse than last year. Although the 2017 spring planting began earlier than last year, the speed of spring sowing decreased. As of April 10, 2017 farmers had planted spring grains and pulses on 1.42 million hectares compared with 1.51 million hectares on April 10, 2016.

FAS/Moscow forecasts a decrease in grain production in 2017, compared with 2016, based primarily on the following factors:

- The Russian grain crop is still very dependent on weather, and the probability of very favorable weather in 2017, for a third year in a row, is low. Weather conditions and yields of major grain crops are more likely to be close to average;
- Grain prices in spring 2017 are lower than in spring 2016, and continue to decline because of large carry-over stocks and stagnant domestic and foreign demand for grain. Stronger than last year Ruble also curbs grain exports from Russia. The decreasing grain prices may affect farmers' spring grains planting decisions;

[1] The highest grain crop in Russian history was in 1978 – 127 MMT, but that crop was harvested from a larger area.
[2] These data exclude Crimea, where, according to the Russian Ministry of Agriculture's reports, winter grains were sown on 436,600 hectares, and spring grains sowing was planned on 85,900 hectares.

- Prices of major inputs (such as high quality planting seed, chemicals, equipment, fuel, and lubricants), have increased y-o-y. Only fertilizer prices were lower at the beginning of the 2017 spring sowing season than last year. However, the overall cost of the 2017 spring sowing, according to the Ministry of Agriculture, is higher than the cost of the 2016 spring sowing.
- Federal budget supported producers of agricultural crops primarily through the decoupled support, which has decreased in 2017 y-o-y.

FAS/Moscow forecasts Russia's total MY 2017/18 grain consumption at 75 MMT. This forecast is 1.1 MMT lower than the estimated total grain consumption in MY 2016/17. The consumption forecast includes 38.7 MMT of Feed and Residual (0.9 MMT lower than the estimated consumption in MY 2016/17) and 36.2 MMT of Food, Seed and Industrial (FSI) Consumption (0.2 MMT lower than in MY 2016/17). Post decreased the forecast based on several considerations:

- Post assumes that MY 2016/17 consumption under the category "Feed and Residual" includes a higher than usual "residual." This unusually large residual is due to the significant quantity of grain, especially wheat, from last year that is still stored on farms. This grain stored from the previous season is likely to deteriorate in quality and, possibly, will be lost. Assuming that the 2017/18 grain crop is smaller, as forecast, grain losses, or "residual" will also decrease, while "Feed" consumption will remain at the same level as in MY 2016/17.
- The forecasted decrease in FSI consumption is based on the assumption that Russian production and food consumption of buckwheat that is reflected in the category of "Other" will be lower than in MY 2016/17. In 2016/17 due to the bumper buckwheat crop and lower prices, consumption of this cereal increased. FSI consumption forecast of wheat, barley, corn, oats, millet and rice is the same as estimated consumption of these grains in MY 2016/17.

MY 2016/17 grain exports are forecast at 37.7 MMT or 2.0 MMT more than the estimated 35.7 MMT of exports in 2016/17. The forecast and estimate includes exports of pulses (category "Other." Without pulses, exports of seven reported grains are forecast at 36.9 MMT that is 2.1 MMT more than the estimated 34.8 MMT exports in MY 2016/17. The increase is based on assumption that traders and Russian government will continue developing foreign markets for Russian grain, the Ruble will be less volatile, and domestic grain prices, in Rubles, will be lower y-o-y than on average in MY 2016/17, stimulating exports. The export forecast includes 28 MMT of wheat (1.5 MMT more than wheat exports estimate for 2016/17), 3.3 MMT of barley (0.3 MMT more than the estimated exports in 2016/17), 5.4 MMT of corn (0.3 MMT more than in MY 2016/17), 180 thousand metric tons (TMT) of milled rice (the same as in MY 2016/17), and approximately 860 TMT of other grains and pulses (estimate for MY 2016/17 is 925 TMT). The category "Other Grain and Pulses" includes primarily exports of pulses.

Post forecasts carry-over grain stocks will decrease to 13.4 MMT by the end of MY 2017/18 from the estimated 15.1 MMT at the beginning of the 2017/18 marketing year. This is based on the forecast that the MY 2017/18 grain crop is lower and exports higher than in MY 2016/17.

Post estimates for MY 2016/17 exports of wheat, barley and corn are lower than official USDA estimates by 1.5 MMT, 0.4 MMT and 0.2 MMT, respectively. Post's lower estimates are based on the actual exports of these crops during the period from July 2016 through March 2017 and additional factors (for more information see "Trade" section of this report). Given that Post's estimates for exports of wheat, barley and corn are lower than the official USDA estimates, Post's estimates for stocks for each of these crops at the end of MY 2016/17 are higher than the official USDA estimate.

Table 1. FAS/Moscow's (Post) Forecast for MY 2017/18, TMT, 1,000 Hectares.

	Wheat	Barley	Corn	Rye	Oats	Millet	Rice	Other	TOTAL GRAIN
Area Harvested	26,500	7,600	2,850	1,500	2,750	400	205	3,100	44,905
Beginning Stocks	12,130	1,533	824	263	289	0	74	0	15,113
Production	66,000	16,000	15,300	2,600	4,500	550	715	4,500	110,165
MY Imports	500	50	50	5	0	0	200	0	805
TY Imports	500	50	50	5	0	0	200	0	805
TY Imp. from U.S.	0	0	0	0	0	0	0	0	0
Total Supply	78,630	17,583	16,174	2,868	4,789	550	989	4,500	126,083
MY Exports	28,000	3,300	5,400	50	10	0	180	800	37,740
TY Exports	28,000	3,300	5,400	50	10	0	180	800	37,740
Feed and Residual	16,500	8,900	9,000	300	2,900	300		800	38,700
FSI Consumption	23,000	4,700	900	2,150	1,600	250	740	2,900	36,240
Total Consumption	39,500	13,600	9,900	2,450	4,500	550	740	3,700	74,940
Ending Stocks	11,130	683	874	368	279	0	69	0	13,403
Total Distribution	78,630	17,583	16,174	2,868	4,789	550	989	4,500	126,083
Yield	2.49	2.11	5.37	1.73	1.64	1.38	5.37	1.45	2.45

Notes:
- The above table is composed of PSD forecasts for each crop, despite differing marketing years. The marketing year for wheat, barley, rye, oats and millet is July-June, the marketing year for corn is October-September, and the marketing year for rice is January-December.
- Grain total includes milled rice. In Russian statistical data the total grain production includes rice in rough equivalent.
- Other grain includes triticale, buckwheat, sorghum, some other niche grains and pulses.

Commodities:

Wheat
Barley
Corn
Rye
Oats
Rice, Milled
Millet

Production:

2017 Forecast

The Russian grain crop still depends primarily on weather conditions. Post forecasts that in 2017 weather will be closer to average and forecasts Russia's 2017 total grain and pulse production at 110 million metric tons (MMT), a seven percent decrease from the 2016 crop. The 2016 grain crop was the second largest crop in Russian history, following the 1978 grain crop. This extraordinary crop can largely be attributable to unusually favorable weather, extremely high yields for most of the grain crops, and an increased share of corn. The average yield of corn is two to three times higher than Russia's yields for other grains. Post's 2017 grain production forecast of 110 MMT is 12 MMT higher than the previous five-year average of 98 MMT. Overall the MY 2017/18 forecast, by crop, is the following: wheat – 66 MMT (nine percent or 6.5 MMT lower than last year but still higher than the five-year average of 56.5 MMT), barley – 16 MMT (1.5 MMT lower than last year and 0.8 MMT lower than the five-year average of 16.8 MMT), corn – 15.3 MMT (the same as last year, and higher than the five-year average of 11.9 MMT), rye – 2.6 MMT, oats – 4.5 MMT, milled rice – 715 thousand metric tons (TMT) (1.1 MMT in rough weight), 550 TMT of millet, and approximately 4.5 MMT of other grains and pulses.

Post's forecast is based on yield trends, the condition of winter grain crops, an estimate of spring planting, consideration of the supply of inputs, and financing of spring field works in Russia. Post assumes that weather conditions for the remainder of the growing season will be closer to Russia's average. Forecasts are very preliminary because the condition of winter grains may be significantly affected by weather changes in late April and May. Moreover, spring sowing has only just begun in the South of European Russia and will begin in late April and May for most other Russian provinces. Weather fluctuations can be very pronounced from year to year and even from province to province.

In February 2017, the Ministry of Agriculture forecasted that in 2017 the total area for grains and pulses will be 48.14 thousand hectares, 1.9 percent more than in 2016. The increase reflects an increase in are planted with winter grains, while the planted with spring grain and pulses will be 0.7 percent less than in 2016 (31.01 million hectares compared with 31.22 million hectares in 2016)[3].

FAS/Moscow does not forecast any technological improvements in production of any grain crops because of increased cost of inputs, such as seeds, chemicals, fuel and lubricants. Additionally, farmers' financial constraints will have a negative impact on production. Russia does not permit the planting of GE crops.

Winter grain area

[3] These Ministry of Agriculture's estimates and forecasts include Crimea.

According to the Ministry of Agriculture, area sown to winter grains for the 2017 crop was 17.36 million hectares (Table 2), 1.8 million hectares more than winter area sown for the 2016 crop. There are still no data on the winter grain survival area for the 2017 crop. The survival area for the 2016 winter grain crop was (on average for all grain crops) 94 percent of sown area.

Table 2. Ministry of Agriculture: Winter Grain Area for 2016 and 2017 Crops, 1,000 Hectares.

Crop	Winter Grain Sown Area, 1,000 HA		
	For 2016 Crop	For 2017 Crop	2017 to 2016, +/-
Winter grains, total	17,058.2	17,360.8	302.6
Including:			
- Wheat	14,850.0	14,869.1	19.1
- Rye	1,402.5	1,731.9	329.4
- Barley	540.4	567.8	27.4
- Triticale	265.3	192.0	-73.3
Note: Ministry of Agriculture's data include Crimea. Winter grains in Crimea were sown to 436.6 thousand hectares, including 276 thousand hectares of winter wheat and 132 thousand hectares of winter barley.			

Source: Ministry of Agriculture's Presentation at the Conference in the Framework of "Feeds, Grains and Veterinary Show" in Moscow, January, 2017.

Without Crimea, winter grains for the 2017 crop were sown on 16.92 million hectares.

According to the Meteorological Center of Russia (Hydrometeocenter), as of mid-March, 2017, the conditions for vegetation of winter crops in most provinces of the Southern and Central European Russia were favorable. In some provinces, farmers started field works (feeding of winter crops with fertilizer) earlier than last year. In the Asian part of Russia weather, on average, has also been favorable for winter grains, although a significant portion of this area was still covered with snow.[4] As of the beginning of April, 2017, the Ministry of Agriculture has not published any official data on the condition of winter crops. At the same time industry analysts report that the condition of winter crops may be classified as good to average in most winter grain producing provinces of the Russian Federation. In some Central and Volga Valley provinces the winter grain crop looks a little worse than during the same period in 2016.

Spring grain sowing progress

The Ministry of Agriculture forecasted that area sown to 2017 spring grain and pulses will decrease y-o-y by 0.2 million hectares, to 31.01 million hectares. Reportedly, farmers will decrease area sown to spring wheat, barley, and some other grains and pulses, but increase area sown to corn (Table 3).

Table 3. Ministry of Agriculture Forecast for Sown Area for 2017 Grain Crops, 1,000 HA

Crops	Ministry's Plan for 2016 Spring Crop	Actual Area Sown to 2016 Spring Crops*	Ministry's Plan for 2017 Spring Crops	2017 to 2016, %
Grains and pulses sown area total	47,484	47,250	48,137	887

[4] Source: http://www.meteoinfo.ru/agro-review

Including spring sown area total	31,054	31,216	31,009	-207
Spring sown area by crops:				0
- Spring wheat	13,202	13,712	13,564	-148
- Spring barley	8,107	7,798	7,699	-99
- Oats	3,032	2,941	2,967	26
- Corn for grain	2,992	2,893	3,063	170
- Rice	204	206	211	5
- Buckwheat	1,001	1,199	1,064	-135
- Millet	554	437	493	57
- Pulses (legumes)	1,705	1,779	1,716	-63
- Other	257	252	231	-21
*Spring data. Spring data includes area sown to crops at the end of spring sowing, includes winter crop area sown in autumn minus winter and spring kill and damages				
Note: The Ministry of Agriculture's forecast includes Crimea. The forecast for spring grain sowing in Crimea was 85.9 thousand hectares, including 1.1 thousand hectares of spring wheat, 55.5 thousand hectares of spring barley, and 29.3 thousand hectares of other grains and pulses.				

Source: Ministry of Agriculture's Presentation at the Conference in the Framework of Feed, Grains and Veterinary Show", Moscow, January, 2017 and http://www.mcx.ru/documents/document/show/37808.htm.

Without Crimea, the forecast for spring planting of grain crops is 30.92 million hectares, including 13.56 million hectares of spring wheat, 7.64 million hectares of spring barley and 9.72 million hectares of other spring grains and pulses.

In 2016, the actual sown area was close to MinAg's plans, but not exactly the same. Moreover, in some cases the decisions made by farmers did not necessarily work in their best interests. For example, farmers planted less area to spring barley than the Ministry forecasted, and additionally, the barley crop was lower in 2016 than in 2015.

Planting of the 2017 spring grains started earlier than last year but the speed of planting in the first week of April was slower than last year:[5] As of April 10, 2017, Russian farmers planted spring grain crops on 1.42 million hectares, compared to 1.51 million hectares planted by the same date in 2016. The status of spring grain planting, by federal district, follows:

Table 4. Planting of Spring Grains in the Russian Federation, as of April 10, 2017

	Forecast for 2017	Sown as of April 10, 2017, Th. HA	Percent of forecast, %	Sown as of April 10, 2016, Th. HA	2016 +/- to 2015

[5] Post adjusted Ministry of Agriculture's data to exclude Crimea. Spring planting in Crimea was faster than last year, and faster than in many Russian provinces that already started spring sowing by April 10th, 2017.

Russian Federation	30,923.2	1,420.1	4.6	1,513.2	-93.1
Including:					
Central FD	4,593.5	588.0	12.8	544.6	+43.4
North-Western FD	264.0	1.6	0.6	20.7	-19.1
Southern FD	2,618.0	533.0	20.4	615.8	-82.8
North-Caucasian FD	844.7	241.4	28.6	284.0	-42.6
Far Eastern FD	358.2	56.1	15.7	43.8	+12.3
Note: Spring sowing in the Volga Valley FD has not started yet					

Source: Ministry of Agriculture's data without Crimea: http://mcx.ru/analytics/spring-field-work/

Russian farmers planted the following spring grains, by crop as of April 10, 2017:

- 130,700 hectares to spring wheat (one percent of the plan, and 49,700 hectares more than on April 10, 2016);
- 754,800 hectares to spring barley (9.9 percent of the plan, and 43,700 hectares less than on the same date in 2016); and
- 76,900 hectares to corn (only 2.5 percent to the plan, and 104,000 hectares less than on April 10, 2016). However, corn sowing had just begun when the Ministry released the data.[6]

The Central FD planted the 2017 spring wheat crop faster than last year, while the Southern FD fell behind last year's pace. Sowing of the barley crop lagged behind last year in almost all federal districts.

Inputs and Financing

Planting seeds:

According to the Ministry of Agriculture's report on the status of preparation for spring sowing,[7] as of March 9, 2017, Russian farmers had 5.89 MMT of planting seeds of grains and pulses. This supply reportedly exceeded the estimated "need" of 5.82 MMT. The conditional seeds comprised 82.5 percent of the total, slightly lower than last year. These data, however, do not include information on planting seeds for corn. The Ministry of Agriculture estimates that 50 to 55 percent of planting seeds for corn are imported, and estimate the import volume for the 2016 crop was 4.0 TMT. Imports of planting seeds for the 2016 crop for other grains and pulses were 0.12 TMT.

Fertilizer:

According to the Ministry of Agriculture, in 2017 farmers will need 1.85 MMT of chemical fertilizer (in active ingredient) for spring field works. In March 2017, farmers continued to buy chemical fertilizer, and from March 1 through March 14 purchased 805.1 TMT of fertilizer (in active ingredient), which is 33.6 TMT more y-o-y. By March 14, 2017, the accumulated stocks of mineral fertilizer at farms, including carry-over stocks from last year, reached 1.08 MMT in active ingredient. These stocks are 8.7 percent more than last year, but still lower than the estimated fertilizer "need" for spring works. As of March 14, 2017, the average price for major fertilizer (including VAT, packaging and transportation, and distributors' expenses) was the following (comparison with the same date last year in brackets):

[6] http://mcx.ru/analytics/spring-field-work/

[7] http://www.mcx.ru/documents/document/show/15381.htm (posted on March 22, 2017)

- Ammonia nitrate - 13,887 Rubles/MT (minus 13 percent y-o-y);
- Carbamide - 18,285 Rubles/MT (minus 11 percent y-o-y);
- Potassium chloride - 15,269 Rubles/MT (minus 2 percent y-o-y);
- Azophoska (nitrogen, phosphorus, potassium compound fertilizer) - 20,336 Rubles/MT (minus 15 percent y-o-y); and
- Ammophos (compound fertilizer) - 28,079 Rubles/MT (minus 11 percent y-o-y).

The government influences the level of fertilizer prices for farmers through a mechanism of voluntary agreements with the major chemical fertilizer producers. In accordance with the order of the Government of the Russian Federation of January 1, 2013, the "market principle of pricing" for the supply of mineral fertilizers to domestic agricultural producers is applied. Producers set domestic prices (excluding VAT, packaging, logistics and distribution costs), taking into account the global market situation. However, in 2016, to ensure the availability of mineral fertilizers for agricultural producers in Russia and to increase the volume of fertilizer supply to the domestic market, the Ministry of Agriculture and the Ministry of Industry and Trade of the Russian Federation and the Russian Association of Fertilizer Producers (RAPU) developed and introduced a mechanisms to curb the growth of mineral fertilizer prices to domestic agricultural producers. The mechanism is fixed in the Agreement on Cooperation between the RAPU and Rosagropromsoyuz, which represents the interests of "large" Russian agricultural producers.

Agrochemicals

Most grain crops produced in Russia are based on low-cost agro-technologies with a minimum use of agrochemicals. This is reflected in the low average yields of most grain crops. The exception is corn production. In the last six years corn production in Russia more than doubled due to increased planted area, and the average corn yield increased nearly 30 percent. The corn yield increase was due to the use of better planting seeds and the use of modern agro-technologies, which envisage agrochemicals. There are no data on the use of agrochemicals by crop. Russia's aggregate data on the use of agrochemicals applies primarily to production of such high yielding crops as sugar-beets, sunflowerseed, soybeans, and corn. The total use of agrochemicals in agriculture in 2016 was 121.6 TMT, including 73.4 TMT of imported chemicals and 48.2 domestic chemicals. The depreciation of the Ruble from fall 2014, hitting its lowest point in 2015 and remaining low until fall 2016, resulted in a rapid increase in prices of imported chemicals. Thus, with approximately the same level of chemicals application in 2015 and 2016, compared with 2014, resulted in an increase in the cost of chemicals from 28.8 billion Rubles in 2014 to 61.2 billion Rubles in 2015, and to 79.3 billion Rubles in 2016.[8] In fall 2016 and spring 2017 the Ruble strengthened against the U.S. Dollar, but farmers' general financial situation had weakened. Therefore, industry analysts do not expect to see an increase in the use of agrochemicals in the 2017 grain production.

Fuel and Lubricants

The Ministry of Agriculture estimates the "need" of Russian farmers for fuel and lubricants for all 2017 field works at 4.68 MMT of diesel fuel (in 2016 – 4.74 MMT), and 850 TMT of gasoline (874 TMT in 2016). From January 1, 2017, through March 13, 2017, farmers purchased 130 TMT of diesel fuel and almost 27 TMT of gasoline. This is 0.2 percent and 4.9 percent more, respectively, than in the same period last year. As of March 13, 2017, farmers had stocks of 368.6 TMT of diesel fuel and 54.3 TMT

[8] Source: Ministry of Agriculture, Presentation at the Feeds Show, January 2017.

of gasoline (7.9 percent and 11.5 percent more, respectively, y-o-y). As of March 2, 2017, the average all-Russia price for diesel fuel was 40,694 Rubles per 1 MT, and the price for Ai-92 gasoline was 44,212 Rubles per 1 MT (plus 16.5 percent and plus 12.8 percent, respectively, y-o-y)[9]

Financing:

The Government of Russia has reported that federal support for agriculture will decrease from 237 billion Rubles in 2016 to 215.9 billion Rubles in 2017, and is planned to decrease further to 198 billion Rubles in 2018 and 194 billion Rubles in 2019.[10] In 2017, the Government consolidated agricultural support programs, and there is no official budget data on the financing of decoupled support programs in 2017. This was the only program that provided support to crop producers based on productivity of agricultural land. Based on information from industry analysts and materials presented by officials from the Ministry of Agriculture at various conferences, federal support of crop production in 2017 will decrease.[11] Thus, according to the Ministry of Agriculture, in the 2016 federal budget support of plant production was 45.15 billion Rubles (93.4 percent of planned allocations). The plan for 2017 allocates 36.67 billion Rubles in support of plant production. Of this 2017 allocation, producers of grain, oilseeds, sugar beets, other so-called technical crops, potatoes and open-air vegetables may receive 11.34 billion Rubles total in the form of decoupled support. In 2016, financing of decoupled support from the federal budget was 23.04 billion Rubles. The government also amended the requirements for those farms that may apply for decoupled support:

- Delisted from this support are such provinces as Belgorod, Voronezh, Kursk, Lipetsk, Tambov and Rostov Oblasts, and Krasnodar Kray and Stavropol Kray because these provinces have already achieved a high level of financial-economic performance in agriculture;
- Changed the scale-up factor from 1.4 in 2016 for provinces of Baykal region and the Far-East Federal District to 1.7 in 2017 for provinces of the non-Black Earth zone of the Russian Federation, which are subject to droughts and floods, for the North-West Federal District and the Far East Federal District;
- The Ministry of Agriculture also plans to change the basis for subsidies. If in 2016, 60 percent of a subsidy depended on sown area, and 40 percent of a subsidy depended on the intensiveness of the use of arable land and soil fertility, in 2017 the major portion of subsidy will depend on sown area and soil fertility, and the smaller portion on intensiveness of use of arable land;
- The GOR added the production of planting seeds of corn, sugar beets, and sunflowerseeds to special sub-directions of decoupled support, which included in 2016 production of seed potatoes and planting seeds of open-air vegetables and production of open-air vegetables. Thus, the actual decoupled support of producers of grains and pulses, except producers of planting seeds of corn, will be negligible.

The Ministry of Agriculture forecast that the rates of federal subsidies for production of planting seeds of corn will be 32,700 Rubles per hectare for parent forms of hybrids, and 10,100 Rubles per hectare for planting seeds of first generation of hybrids. For planting seeds of sunflowerseeds, the per hectare subsidy may be 33,000 Rubles for parent forms of hybrids, and 8,700 Rubles for the first generation of hybrids, and 32,600 Rubles for original seeds of sunflowerseed varieties, and 9,000 Rubles for elite seeds of sunflowerseed varieties. The support of development of planting seeds of corn will not come

[9] http://www.mcx.ru/documents/document/show/15381.htm (posted on March 22, 2017)
[10] The Amended State Program for Development of Agriculture 2013-2020: http://government.ru/media/files/
[11] Source: Ministry of Agriculture, Presentation at the Feeds Show, January 2017.

into effect in MY 2017/18, and corn producers will continue depending on imported planting seeds of corn.

According to the Ministry of Agriculture, financing of the seasonal spring works of agricultural producers from the state-owned banks, primarily with subsidized interest rate terms, increased in 2017 compared with 2016. By March 30, 2017, the total volume of credit resources for the seasonal field works reached 81.17 billion Rubles, 19.9 percent more than on the same date last year. This includes 70.7 billion Rubles loaned by Rosselkhozbank (46.6 percent more than last year, y-o-y), and 10.41 billion Rubles loaned by Sberbank (46.3 percent less than last year, y-o-y).[12]

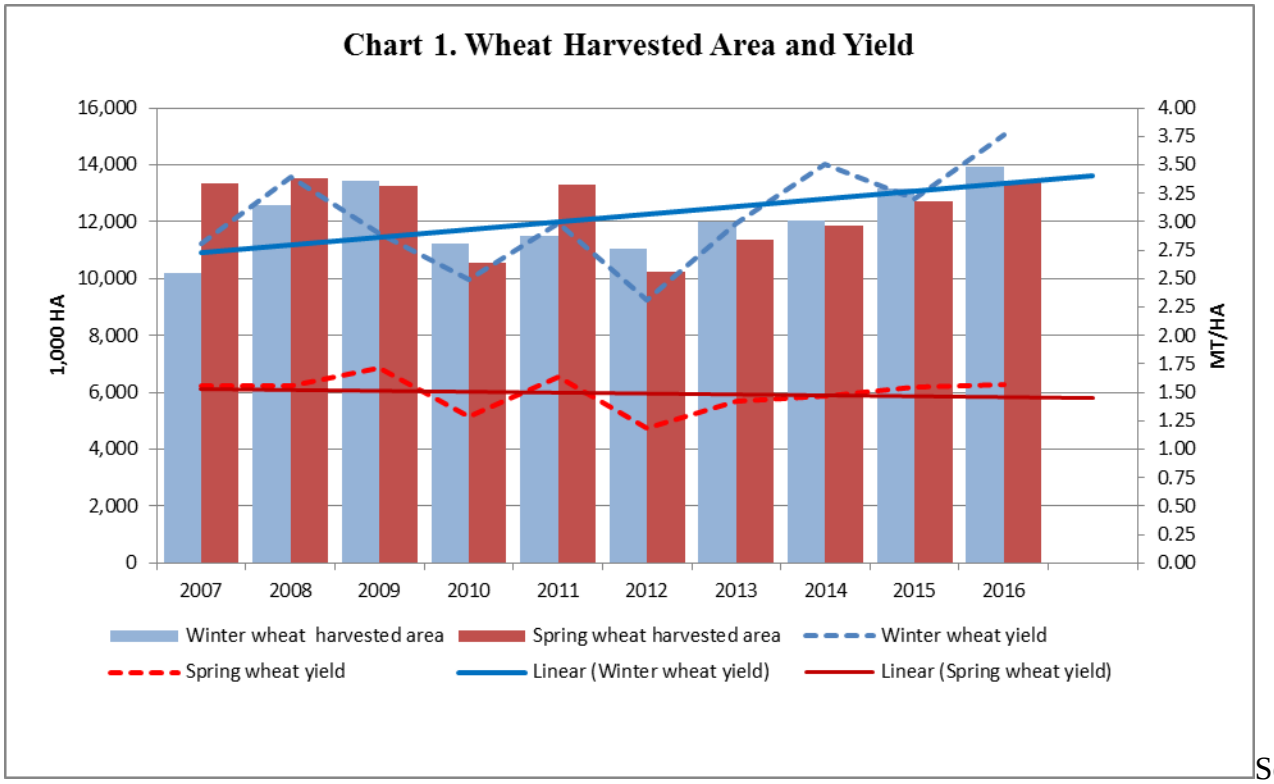
According to industry analysts, crop production still remained profitable in MY 2016/17, but farmer returns were lower than in MY 2015/16. In MY 2017/18, analysts forecast a further decrease of profitability for grain production due to an increased cost for sowing and decreased prices of major grains. According to the Ministry of Agriculture, the cost of spring sowing was 301 billion Rubles in 2015, 328.3 billion Rubles in 2016, and will increase to 334.7 billion Rubles in 2017.[13]

Production Forecast by Major Crops

Wheat

Post forecasts wheat production in 2017 at 66 MMT, nine percent less than in 2016. Based on the data reported by the Ministry of Agriculture, area sown to winter wheat, the highest yielding wheat, is 14.6 million hectares, 0.85 million hectares more than in 2016. So far industry analysts estimate the condition of winter grain as good, but slightly worse than in 2016. Post forecasts spring wheat area at 13.5 million hectares, slightly less than the Ministry of Agriculture, and 0.18 million hectares less than in 2016. Post's forecast is based on the assumption that falling wheat prices and large carry-over stocks will force farmers to decrease spring wheat area. Based on ten year averages of the share of harvested area in planted area (96.8 percent for winter wheat and 90.8 percent for spring wheat), and on trend lines for winter and spring wheat yields for 2017 (Chart 1), Post forecast that Russian farmers may produce 66 MMT of wheat, including 48 MMT of winter wheat and 18 MMT of spring wheat.

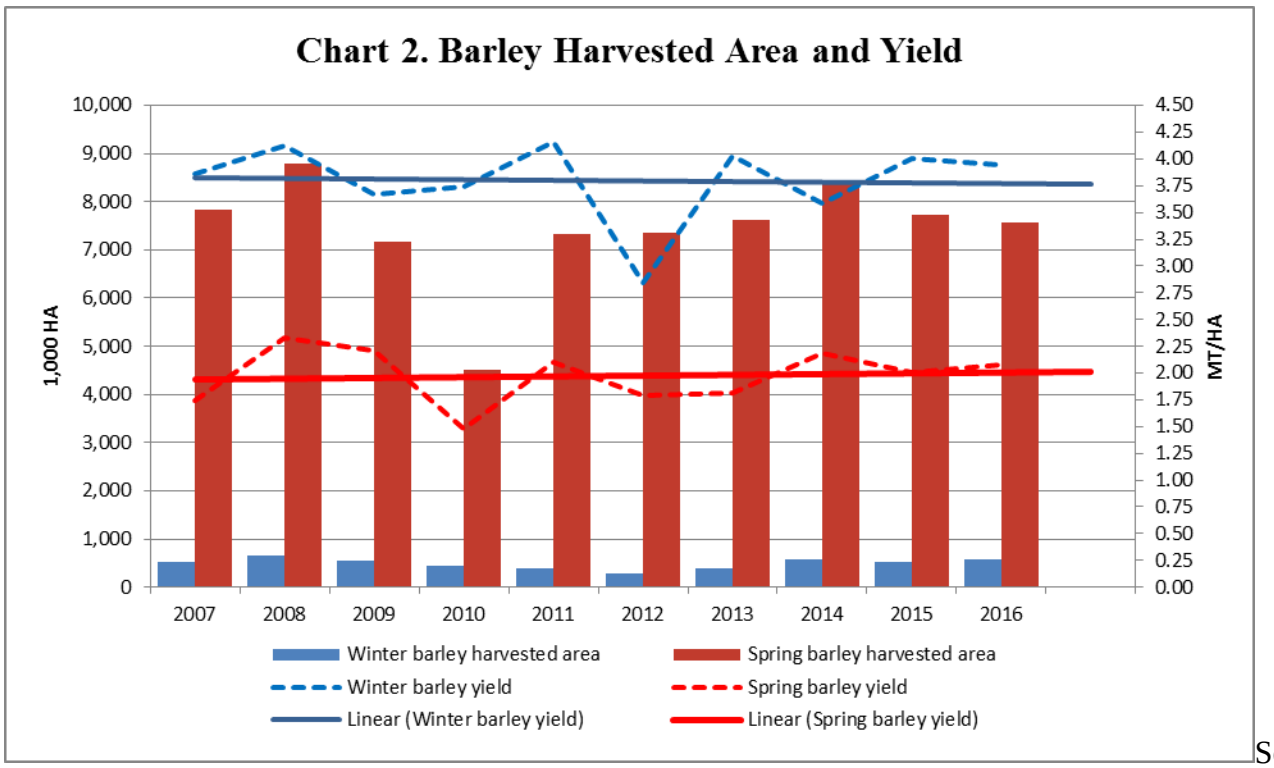
[12] http://www.mcx.ru/news/news/show/60219.355.htm
[13] http://www.ikar.ru/press/3224.html



Source : FAS/Moscow on the basis of Rosstat data.

Barley

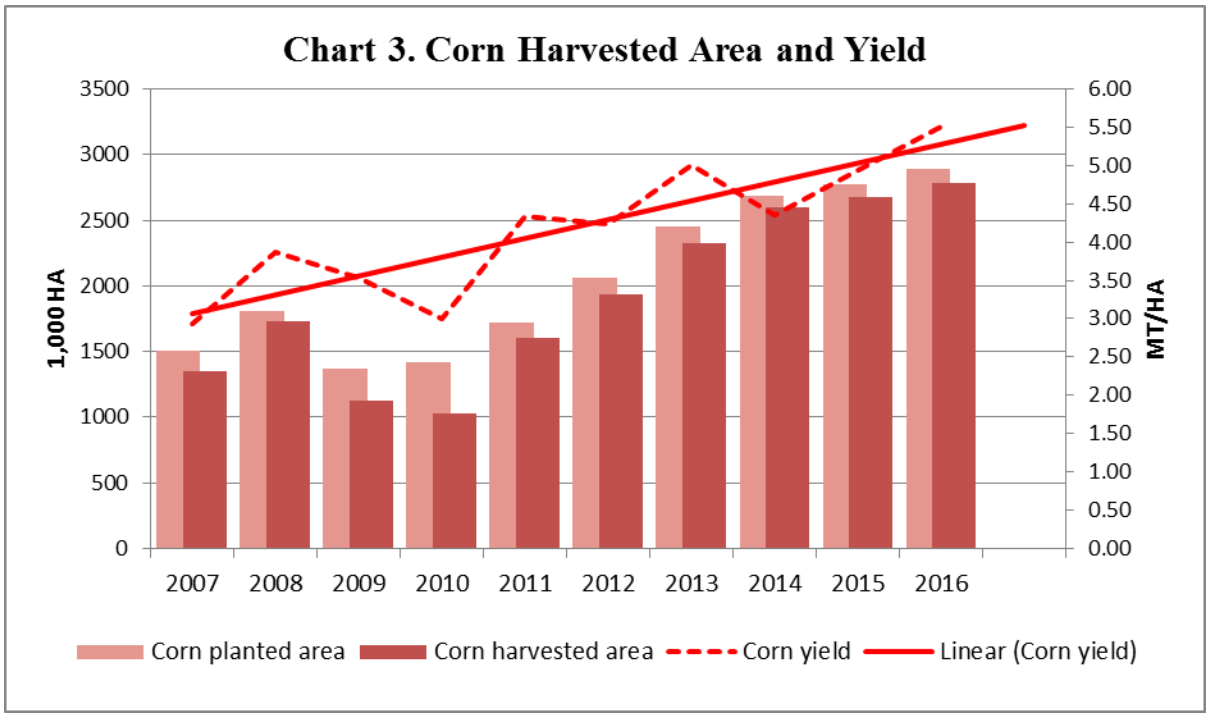
Post forecast 2017 barley production in at approximately 16 MMT, nine percent less than in 2016. Based on data reported by the Ministry of Agriculture, area sown to winter barley, the highest yielding barley, is 0.44 million hectares, 27,400 hectares more than in 2016. So far industry analysts estimate the condition of winter barley as good. However, winter barley comprises only 11 percent of the total barley crop (average for ten years), while 89 percent of the barley crop is spring barley. Post forecasts that Russian farmers will plant 7.7 million hectares to spring barley, slightly more than the Russian Ministry of Agriculture forecasts. Based on the ten year average share of harvested area to planted area (approximately 98 percent for winter barley and 93 percent for spring barley), and on trend lines for winter and spring barley yields for 2017 (Chart 2), Post forecasts that Russian farmer may produce slightly more than 2 MMT of winter barley, and 14 MMT of spring barley, for a total of 16 MMT.



Source : FAS/Moscow on the basis of Rosstat data.

Corn

FAS/Moscow forecast for 2017 corn production is 15.3 MMT, the same as in 2016. The forecast is based on the assumption that area sown to corn for grain will be 3.06 million hectares, as forecast by the Ministry of Agriculture. Given that the average ratio of harvested area to planted area for corn is 92.5 percent, Post assumes that corn harvested area in 2017 will be approximately 2.85 million hectares. The linear trend yield for 2017 is at 5.5 MT/HA (Chart 3), but this trend line is based on the very high yield in 2016. Post forecasts that the 2017 corn yields will be approximately 5.35 MT/HA, and the corn crop in 2017 will be the same as in 2016.



Source: FAS/Moscow on the basis of Rosstat data.

Production 2016

Rosstat published the final data on Russia's grain and pulses crop (with separate winter and spring grains) in the beginning of March, 2017. The table below is based on the final Rosstat data without Crimea.

Table 5. Final Rosstat Data on 2016 Grain Crop

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Planted Area, 1,000 Hectares										
Wheat, total	24,382	26,633	28,698	26,614	25,552	24,684	25,064	25,002	26,557	27,426
- winter	10,597	12,692	13,835	12,699	11,805	11,842	12,334	11,888	13,080	13,745
- spring	13,785	13,941	14,863	13,915	13,747	12,843	12,729	13,115	13,477	13,681
Barley, total	9,618	9,621	9,135	7,214	7,881	8,820	9,019	9,192	8,687	8,150
- winter	537	651	582	461	383	291	392	461	394	439
- spring	9,081	8,970	8,553	6,753	7,498	8,529	8,628	8,731	8,294	7,712
Rye	2,097	2,162	2,142	1,757	1,547	1,558	1,832	1,875	1,290	1,259
Triticale			190	165	226	233	251	251	250	227
Oats (spring)	3,548	3,561	3,374	2,895	3,046	3,241	3,324	3,248	3,039	2,851
Corn for grain	1,509	1,812	1,365	1,416	1,716	2,058	2,450	2,684	2,770	2,893
Rice	162	164	183	203	211	201	190	197	202	208
Millet	506	572	522	521	826	474	470	502	591	433

Buckwheat	1,301	1,113	932	1,080	907	1,270	1,096	1,008	957	1,204
Sorghum							152	167	222	228
Legumes	1,094	1,006	1,010	1,305	1,553	1,844	1,979	1,580	1,567	1,730
Other	48	98	2	24	107	55	0	0	0	0
Total	44,265	46,742	47,553	43,194	43,572	44,439	45,826	45,705	46,132	46,609
Production, 1,000 Metric Tons										
Wheat, total	49,390	63,765	61,740	41,508	56,240	37,720	52,091	59,081	61,044	72,529
- winter	28,600	42,694	38,952	27,905	34,429	25,527	35,925	41,639	41,322	51,542
- spring	20,790	21,071	22,788	13,603	21,811	12,192	16,166	17,441	19,722	20,987
Barley, total	15,663	23,148	17,881	8,350	16,938	13,952	15,389	20,026	17,083	17,547
- winter	2,031	2,660	2,057	1,667	1,572	790	1,571	1,782	1,758	1,921
- spring	13,632	20,488	15,824	6,683	15,366	13,161	13,817	18,244	15,326	15,626
Rye	3,905	4,505	4,329	1,636	2,967	2,132	3,360	3,279	2,084	2,538
Triticale			508	246	523	464	582	654	563	618
Oats (spring)	5,407	5,835	5,401	3,220	5,332	4,027	4,932	5,267	4,527	4,750
Corn for grain	3,953	6,682	3,963	3,084	6,962	8,213	11,635	11,325	13,168	15,305
Rice	709	738	913	1,061	1,056	1,052	935	1,049	1,110	1,081
Millet	421	711	265	134	878	334	419	489	565	625
Buckwheat	1,005	924	564	339	800	797	834	662	861	1,186
Sorghum								207	191	311
Legumes	1,301	1,794	1,529	1,371	2,453	2,174	2,037	2,175	2,325	2,893
Other	42	77	18	11	64	45	172	0	1	1
Total	81,796	108,179	97,111	60,960	94,213	70,908	92,385	104,212	103,523	119,384
Yields (tons per harvested hectare										
Wheat, total	2.10	2.45	2.32	1.91	2.26	1.77	2.23	2.50	2.39	2.68
- winter	2.81	3.39	2.90	2.49	2.99	2.31	2.29	3.51	3.20	3.76
- spring	1.56	1.56	1.72	1.29	1.64	1.19	1.42	1.47	1.55	1.57
Barley, total	1.87	2.46	2.31	1.68	2.20	1.82	1.92	2.27	2.13	2.21
- winter	3.86	4.12	3.67	3.74	4.16	2.84	4.03	3.59	4.00	3.95
- spring	1.74	2.33	2.21	1.48	2.10	1.79	1.81	2.18	2.00	2.08
Rye	1.92	2.11	2.07	1.19	1.95	1.50	1.89	1.77	1.67	2.03
Triticale			2.72	1.76	2.35	2.08	2.41	2.64	2.31	2.78
Oats (spring)	1.63	1.71	1.79	1.44	1.82	1.41	1.64	1.71	1.60	1.73
Corn for grain	2.93	3.87	3.53	3.00	4.34	4.24	5.01	4.36	4.93	5.51
Rice	4.51	4.62	5.14	5.28	5.09	5.49	4.95	5.36	5.58	5.30

Millet	1.12	1.38	1.00	0.78	1.39	0.99	1.18	1.23	1.29	1.54
Buckwheat	0.84	0.92	0.90	0.59	0.95	0.77	0.92	0.93	0.95	1.06
Sorghum								1.47	1.24	1.49
Legumes	1.41	1.84	1.65	1.39	1.67	1.29	1.21	1.46	1.59	1.75
Total	1.98	2.38	2.27	1.83	2.24	1.83	2.20	2.41	2.37	2.62

Source: Rosstat

Chart 4. Location of Winter and Spring Wheat Production in 2016

Note: In Krasnoyarsk Kray (+) spring wheat is produced only in the southern regions.

Winter Wheat Production by Province in 2016	Spring Wheat Production by Province in 2016
Dark Red >5,000 TMT Red 2,000 TMT – 5,000 TMT Pink 1,000 TMT -1,999 TMT	Dark Green >2,000 TMT Green 1,500 TMT – 2,000 TMT Light Green 1,000 TMT – 1,499 TMT
Highest Winter Wheat Production by Province*	Highest Spring Wheat Production by Province*
1. Rostov Oblast – 8,954 TMT (+1,589 TMT) 2. Krasnodar Kray – 8,487 TMT (+34 TMT) 3. Stavropol Kray – 7,624 TMT (+626 TMT) 4. Volgograd Oblast – 2,986 TMT (+1,202 TMT) 5. Saratov Oblast – 2,368 TMT (+1,326 TMT)	1. Altay Kray – 2,526 TMT (+221 TMT) 2. Omsk Oblast – 2,394 TMT (-70 TMT) 3. Krasnoyarsk Kray – 1,566 TMT (+54 TMT) 4. Novosibirsk Oblast – 1,485 TMT (+44 TMT) 5. Kurgan Oblast – 1,415 TMT (+188 TMT)

6. Voronezh Oblast – 2,279 TMT (+532 TMT) 7. Kursk Oblast – 2,039 TMT (+433 TMT) 8. Orel Oblast – 1,763 TMT (+438 TMT) 9. Tambov Oblast – 1,487 TMT (+286 TMT) 10. Lipetsk Oblast – 1,444 TMT (+756 TMT) 11. Belgorod Oblast – 1,364 TMT (+1,364 TMT) 12. Tatarstan Republic – 1,048 TMT (+444 TMT)	6. Chelyabinsk Oblast – 1,336 TMT (+199 TMT) 7. Orenburg Oblast – 1,321 TMT (+219 TMT) 8. Bashkortostan Republic – 1,193 TMT (+112 TMT)
*Note: Difference from 2015 crop is in brackets.	

Chart 5. Location of Winter and Spring Barley Production in 2016

Winter Barley Production by Province	Spring Barley Production by Province
Dark Red >500 TMT	Dark Green >900 TMT Green 700 TMT - 899 TMT Light Green 500 TMT – 699 TMT
Highest Winter Barley Production by Province*	Highest Spring Barley Production by Province*
1. Stavropol Kray – 800 TMT (+133 TMT) 2. Krasnodar Kray – 776 TMT (-17 TMT)	1. Voronezh Oblast - 1,047 TMT (+90 TMT) 2. Rostov Oblast – 991 TMT (+103 TMT)** 3. Tatarstan Republic – 970 TMT (+64 TMT) 4. Kursk Oblast – 800 TMT (+15 TMT) 5. Bashkortostan Republic – 721 TMT (-16 TMT) 6. Tambov Oblast – 718 TMT (-258 TMT) 7. Belgorod Oblast – 706 TMT (+111 TMT) 8. Volgograd Oblast – 579 TMT (+196 TMT) 9. Lipetsk Oblast – 576 TMT (-172 TMT)

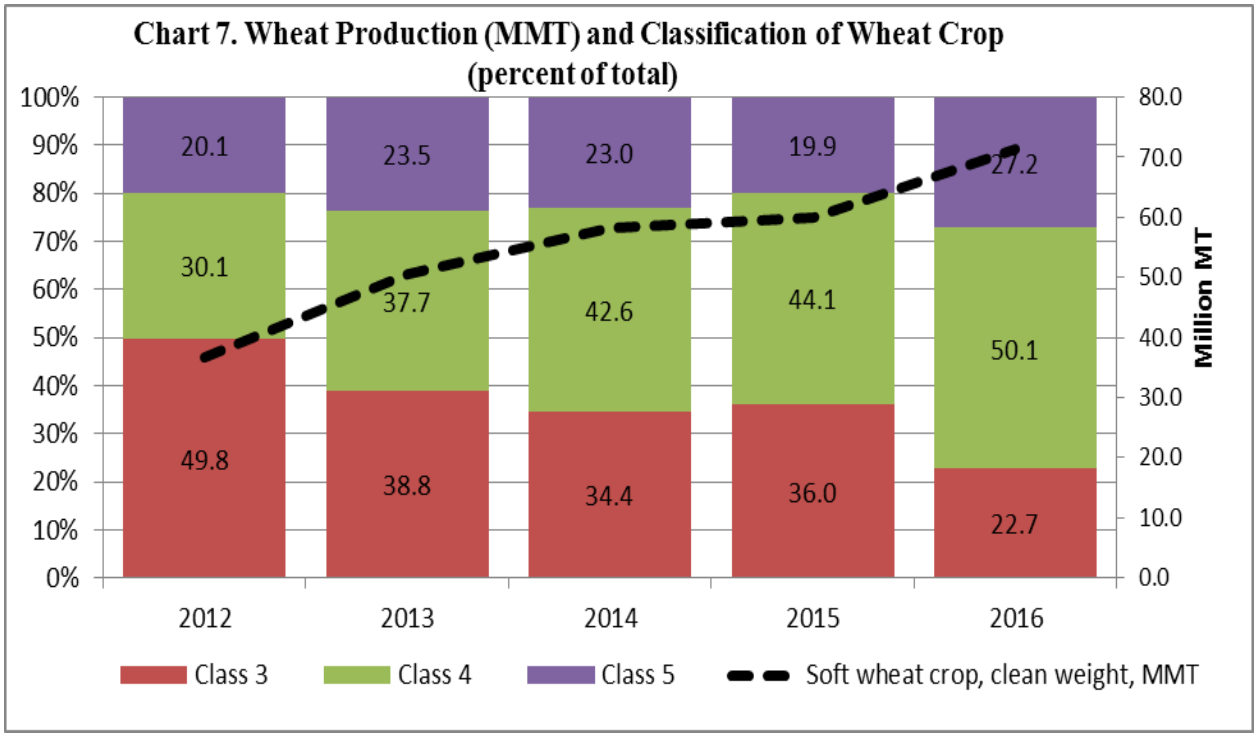
	10. Omsk Oblast – 548 TMT (-22 TMT) 11. Orel Oblast – 526 TMT (-29 TMT) 12. Saratov Oblast – 505 TMT (+245 TMT)
*Note: Difference from 2015 crop is in brackets.	
**Note: Rostov Oblast also produced 154 TMT of winter barley, 8.0% of Russia's total winter barley, but its spring barley production was bigger than winter barley, although the share of Rostov Oblast in Russia's total spring barley crop is only 6.3%.	

Chart 6. Location of 2016 Corn Production

Dark Green >1,000 TMT Green 700 TMT to 999 TMT Light Green 400 TMT – 699 TMT	Highest Corn Production by Province 1. Krasnodar Kray – 3,574 TMT (+246 TMT) 2. Stavropol Kray – 1,264 TMT (+437 TMT) 3. Belgorod Oblast – 1,178 TMT (+180 TMT) 4. Kursk Oblast – 1,151 TMT (+297 TMT) 5. Voronezh Oblast – 1,075 TMT (-66 TMT) 6. Kabardino-Balkariya Republic 919 TMT (+160 TMT) 7. Rostov Oblast – 808 TMT (+163 TMT) 8. Bryansk Oblast – 582 TMT (+404 TMT) 9. Tambov Oblast – 553 TMT (-157 TMT) 10. Lipetsk Oblast – 516 TMT (-86 TMT) 11. North Osetiya (Alania) Republic – 496 TMT (+37 TMT) 12. Orel Oblast – 426 TMT (+11 TMT)

Grain Quality:

Along with the historic record of 72.5 MMT for the wheat crop, the average milling characteristics of deteriorated. Russian classification of wheat is based primarily on the content and quality of gluten, which determine the milling and baking quality of wheat. Soft wheat comprises over 98 percent of Russia's wheat crop, and this wheat is classified from Class 3 (the best milling characteristics) to Class 5 (feed quality). According to the Federal Center for Grain Quality and Safety Assessment's (FCGQSA) preliminary data, in the last five years, along with an increasing wheat crop size, the share of milling wheat Class 3 decreased while the share of wheat Class 4 grew. In 2016, the bumper crop also resulted in an increased share of feed quality wheat.



Source: FAS/Moscow on the basis of data from FCGQSA http://www.fczerna.ru/News.aspx?id=6445

In February 2017, mass media and the Federation Council (the upper chamber of the Federal Assembly, the major legislative body of the Russian Federation), raised concerns that exports of food quality wheat may create a shortage of food quality wheat in the domestic market.[14] However, sample surveys of the 2017 wheat crop showed that the quantity of milling quality wheat is enough to meet domestic demand despite exports.[15] Moreover, exports of wheat in February 2017 decreased, and industry analysts decreased the wheat exports estimate for MY 2016/17. Stocks of wheat also remain high, and sources report that farmers increased offers of wheat Class 3, which they held in the fall 2016 and in the beginning of winter 2017. The prices of wheat Class 3 in the domestic market have decreased in March 2017, and continue to decline in April 2017.

Consumption:

[14] http://www.ng.ru/economics/2017-02-14/1_6928_hleb.html

[15] More on the quality of wheat see FAS/Moscow GAIN report Quality of Wheat Crop in Russia in2016_3-2-2017.pdf

FAS/Moscow forecasts Russia's total MY 2017/18 grain consumption at 75 MMT. This forecast is 1.1 MMT lower than the estimated total grain consumption in MY 2016/17. The consumption forecast includes 38.7 MMT of Feed and Residual (0.9 MMT lower than the estimated consumption in MY 2016/17) and 36.2 MMT of Food, Seed and Industrial (FSI) Consumption (0.2 MMT lower than in MY 2016/17). The forecast decrease is based on several considerations:

- Post assumes that consumption in the category "Feed and Residual" in MY 2016/17 includes a higher than usual "residual" because larger than last year quantity of grain, especially wheat, is still stored on farms, and will deteriorate in quality and, possibly, will be lost. Assuming that the 2017/18 grain crop will decrease, grain losses, or "residual" will also decrease, while "Feed" consumption will remain at the MY 2016/17 level;
- The decrease in the FSI consumption forecast is based on the assumption that Russian production and food consumption of buckwheat that is reflected in the "Other" category will be lower than in MY 2016/17. In 2016/17, due to the bumper buckwheat crop and lower prices, consumption of this cereal increased. The FSI consumption forecast for wheat, barley, corn, oats, millet and rice is almost the same as the estimated consumption of these grains in MY 2016/17.

Feed and Residual

Feed and Residual consumption of seven reported crops (except rice) is forecast at 37.9 MMT, that is two percent less than in MY 2016/17. Lowering the forecast is based on the assumption that the "residual" portion of this consumption will decrease, while the use of grain as a component in compound feeds will remain the same as in MY 2016/17. There are no official data on the use of grain in feed, but according to industry analyst, in MY 2016/17 the use of a grain component in compound feeds increased, because protein/vitamin mixtures have become more expensive.[16] By crops, feed and residual consumption of wheat is forecast to decrease by 0.5 MMT to 16.5 MMT in MY 2017/18. Barley consumption is forecast to decrease by 0.3 MMT to 8.9 MMT. Meanwhile, corn consumption is forecast to increase from an estimated 8.7 MMT to 9.0 MMT due to the enlarged use of a corn component in feeding poultry and livestock. Oats feed consumption is forecast at 2.9 MMT, 0.15 MMT less than the estimate for MY 2016/17. The decrease is due to a lower crop forecast. Rye and millet feed consumption is forecast at 0.6 MMT total, 75 TMT less than in MY 2016/17 due to a lower millet crop forecast.

Food

FAS/Moscow forecasts that total Food, Seed and Industrial Consumption of seven reported grains (wheat, barley, corn, rye, oats, millet and rice) will be 33.34 MMT, almost the same as the estimated FSI consumption in MY 2016/17 (33.30 MMT). The forecast FSI consumption includes 23 MMT of wheat (the same as in MY 2016/17), 4.7 MMT of barley (the same as last year), 0.9 MMT of corn (the same as in MY 2016/17), 2.15 MMT of rye (50 TMT more than last year), 1.6 MMT of oats (the same as last year), 0.25 MMT of millet (the same as last year), and 740 TMT of rice (five TMT less than last year).

Domestic food consumption of grain and pulse products in 2017 will continue to be influenced by the Russian general economic situation. The economic crisis 2014-2015 started with a sharp Ruble depreciation in November and December 2014, followed by high Ruble volatility, accelerated inflation, and increased interest rates. Total consumer expenditures fell by 9.9 percent in 2015 as GDP dropped 3.7 percent and real disposable income fell by four percent. In this situation the consumer demand for

[16] More on feeds is in FAS/Moscow GAIN report Oilseeds and Products Annual_3-16-2017.pdf

grain and pulses food products increased. The major part of the category "Food, Seed, Industrial (FSI) consumption" in the PSD consists of food consumption. Given the decreased income of the Russian population, Post assumed that many people switched to cheaper staple products, such as grain products and cereals, and increased FSI consumption of seven reported grains from approximately 32.0 MMT in MY 2013/14 to 33.5 MMT in MY 2014/2015, and this consumption remained at approximately 33.3 MMT through MY 2016/2017 (estimate). In 2016, general economy continued decreasing, although the GDP in 2016 was down only by 0.2 percent. In March 2017, the rate of food price inflation decreased to 3.5 percent from 4.6 percent in December 2016, driven primarily by stronger Ruble exchange rate. However, the retail turnover in 2016 fell by 5.2 percent, primarily at the expense of expensive products, and real disposable income fell by 5.9 percent. Post forecasts that the FSI consumption of seven reported grain crops will remain in MY 2017/18 at 33.3 MMT, the same level as in MY 2017/18.

Trade

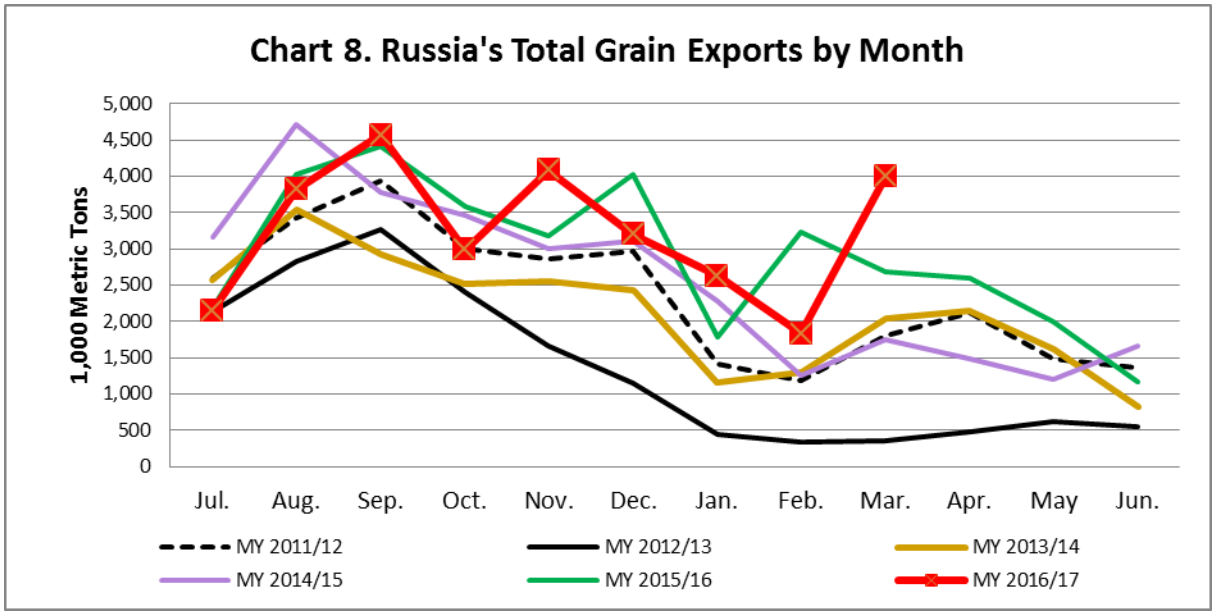
Post forecasts Russia's total grain exports in MY 2017/18 at 37.7 MMT, a 2.0 MMT increase from the estimated grain and pulses exports in MY 2016/17. The forecast and estimate includes exports of pulses. Without pulses, exports of the seven reported grains are forecast at 36.9 MMT, 2.1 MMT more than the estimated 34.8 MMT exports in MY 2016/17. FAS/Moscow forecasts an increase in exports despite the lower crop in 2017 compared with 2016. The forecast is based on the following assumptions: high beginning of MY 2017/18 stocks of grain will continue pushing domestic prices down, domestic grain prices in Rubles will be lower, y-o-y, than the MY 2016/17 average, traders and the Russian government will continue developing foreign markets for Russian grain, and the Ruble will be less volatile. The export forecast includes 28 MMT of wheat (1.5 MMT more than wheat exports estimate for 2016/17), 3.3 MMT of barley (0.3 MMT more than the estimated exports in 2016/17), 5.4 MMT of corn (0.3 MMT more than in MY 2016/17), 180 TMT of milled rice (the same as in MY 2016/17), and approximately 860 TMT of other grains and pulses (estimate for MY 2016/17 is 925 TMT). The category "Other Grain and Pulses" includes primarily exports of pulses.

FAS/Moscow estimates Russia's total grain exports in 2016/17 at 35.7 MMT. These estimates include 26.5 MMT of wheat (including wheat flower in grain equivalent), 3.0 MMT of barley, 5.1 MMT of corn, 0.18 MMT of milled rice, 35 TMT of rye and oats, and 0.9 MMT of pulses. Post lowered the wheat exports estimate, compared with the USDA official estimate, by 1.5 MMT based on the real exports from July 2016 through March 2017. These exports did not meet traders' expectations or preliminary forecasts for MY 2016/17. Barley and corn exports estimates are 0.4 MMT and 0.2 MMT, respectively. Both are lower than the USDA estimate for the same reason. Post's estimate for rice exports is the same as USDA official estimate for milled rice exports in MY 2016/17.

There are still no official Customs data for March 2017, and estimate for March 2017 exports are based on reports from a variety of experts and on export data reported by the Federal Center for Grain Quality and Safety Assessment (FCGQSA). FCGQSA's data are based on phytosanitary certificates issued for different grains and grain products. According to FCGQSA, Russia's total grain exports, including pulses and flour in grain equivalent, for the period July 2016 through March, 2017, reached 29.9 MMT. These exports included 22.02 MMT of wheat, 3.97 MMT of corn, 2.26 MMT of barley, 0.19 MMT of wheat flour in grain equivalent, 0.15 MMT of other grains and bran, and 0.73 MMT of pulses. However, industry analysts report that usually the assessments of the FCGQSA are higher than the Customs data. Based on the estimates of industry analysts, in March 2017, Russia exported 3.5-4.0

MMT of grain, including 3.0-3.1 MMT of wheat,[17] and the total grain exports from July 2016 through March 2017 reached 29 MMT, including 22 MMT of wheat. Thus, Russia's total exports in July-March exceeded exports in the same period in MY 2016/17 by 0.2 MMT; including exports of wheat, exceeded the last year level by approximately 1.5 MMT. Barley exports in the same period were lower than last year by approximately 1.5 MMT, and corn exports were higher than last year by 0.6 MMT. Charts 8 through 11, below include Customs data for July 2016 through February 2017, and estimates for grain exports in March 2017. Due to high stocks, exports of grain in April 2017, according to industry analysts, will also be higher than in April 2016. However, May and June exports are usually low, and Russia's total grain exports and exports by reported crops will hardly exceed Post's estimates.

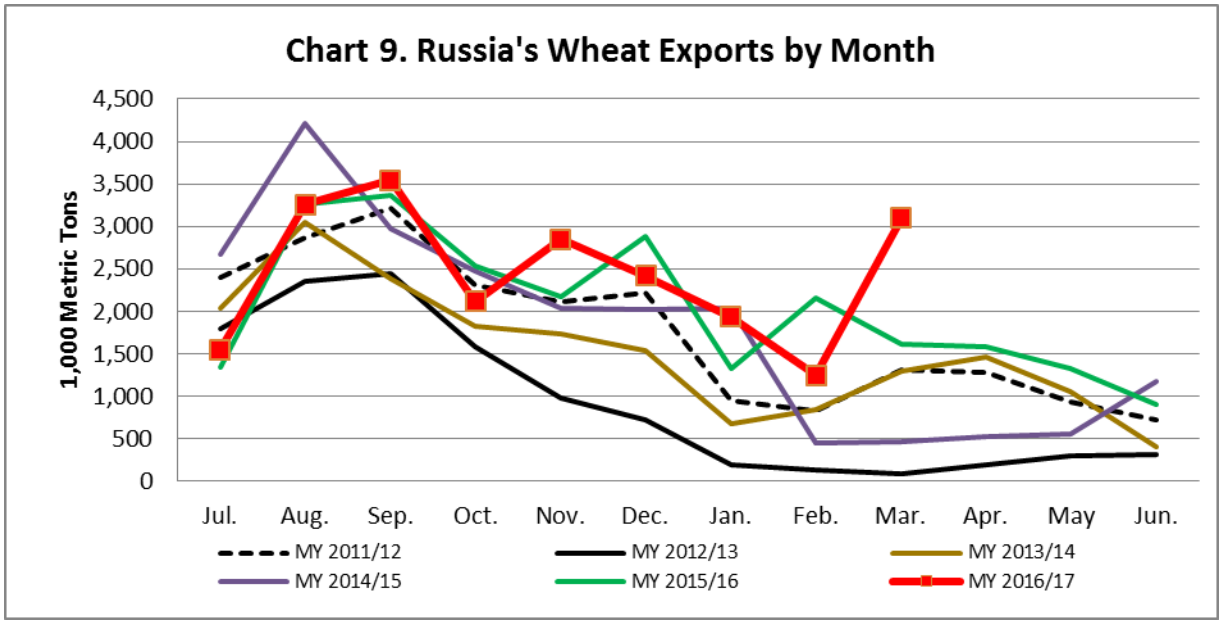
The Ministry of Agriculture decreased the total grain exports estimate in MY 2016/17 from the previous 37 MMT to 33.9 MMT. However, grain analysts still estimate Russia's grain exports in MY 2016/17 higher - from 35.5 to 36.5 MMT, including 27.0 to 28.0 MMT of wheat.[18]



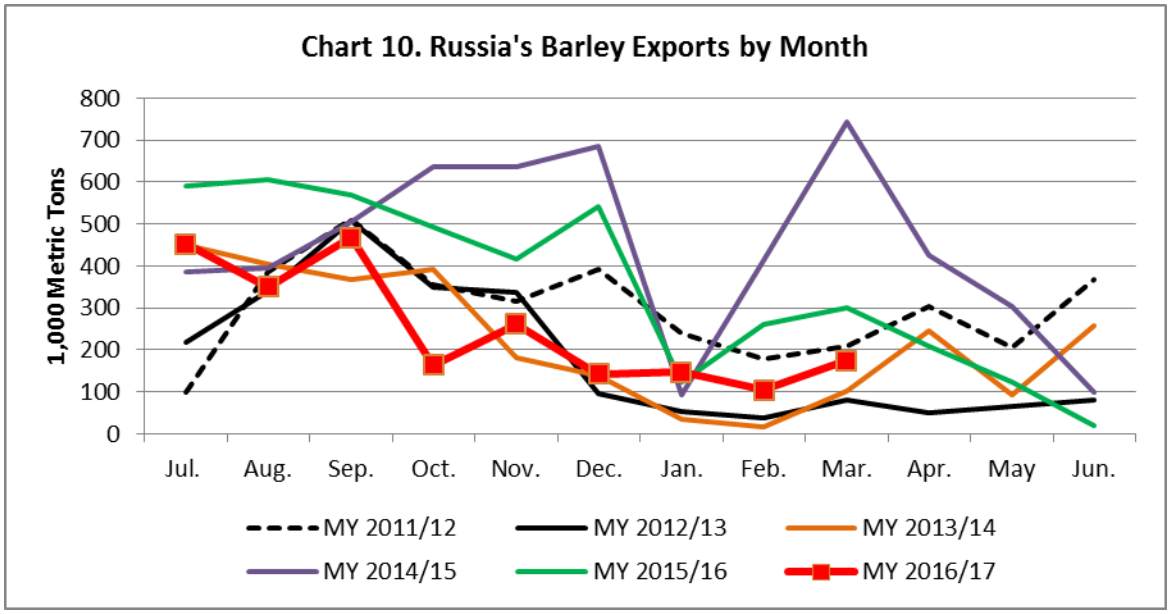
Source: Russian State Customs Service and estimates industry sources for March 2017

[17] http://krestyane34.ru/

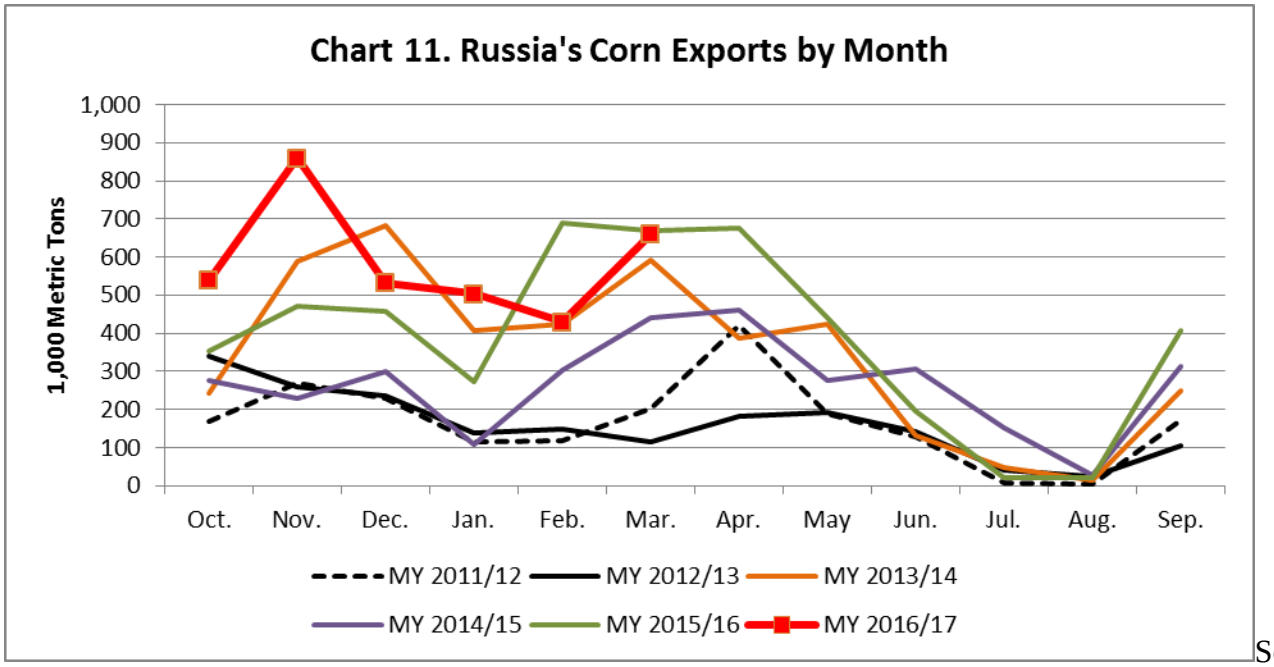
[18] http://www.zol.ru/n/29581 and http://www.agroinvestor.ru/markets/news/26879-eksport-zerna-vnov-podtyanulsya-k-proshlogodnemu-tempu/



Source: Russian State Customs Service and estimates of industry sources for March 2017



Source: Russian State Customs Service and estimates of industry sources for March 2017



Source: Russian State Customs Service and estimates of industry sources for March 2017

Data on exports of wheat, barley, and corn by country are based on official Customs data from July 2016 to February 2017 for wheat and barley, and from October 2016 through February 2017 for corn.

Wheat

Wheat exports from July 2016 through February 2017, reached 18.9 MMT, and exports of wheat flour, in wheat equivalent, were 0.15 MMT. These exports were one percent and 34 percent less than exports in the same period last year, respectively. In this period Russia exported 4.12 MMT of wheat to more than 75 countries. However, ten countries accounted for 67 percent of Russia's wheat exports: Egypt - 1.95 MMT, Turkey – 1.95 MMT, Bangladesh - 1.64 MMT, Azerbaijan - 0.95 MMT, Nigeria - 0.94 MMT, Yemen - 0.78 MMT, Morocco – 0.67 MMT, Lebanon – 0.62 MMT, Sudan – almost 0.60 MMT, and Israel – 0.42 MMT. Industry analysts attribute the decrease in wheat exports in February to very unfavorable weather in the deep water ports and in the shallow ports of Azov-Don. In March, wheat exports skyrocketed due to improved conditions in the ports, reports of high March grain stocks at farms and processing enterprises, and the expectations of Turkish delisting of Russia as eligible for "duty free importer" status (for more information see "Marketing" sector of the report). Moreover, according to industry sources, Turkish importers of Russian wheat were allowed to import wheat on the previous terms (duty-free) on contracts signed before March 15, 2017. According to the FCGQSA, from July 1, 2016, through April 3, 2017, Russia exported to Turkey 2.3 MMT of wheat and, given that Customs data on exports to Turkey from July to February is 1.95 MMT, it is possible to assume that in March and the first three days of April, 2017, Russia exported to Turkey 0.3 MMT of wheat.

Barley

Barley exports from July 2016 through February 2017, was 2.09 MMT - the lowest barley exports in the last three years, y-o-y. Barley exports decreased due to lower than last year demand from Saudi Arabia, the main market for Russian barley. Never-the-less, Saudi Arabia has remained the primary market for Russian barley. From July 2016 through February 2017 Russia exported 926,700 MT of barley to Saudi

Arabia. The other big markets for Russian barley were Iran – 305,700 MT, Libya – 149,100 MT, Lebanon – 127,700 MT, and Jordan – 106,100 MT. These five countries accounted for 77.4 percent of Russia's barley exports during this period.

Corn

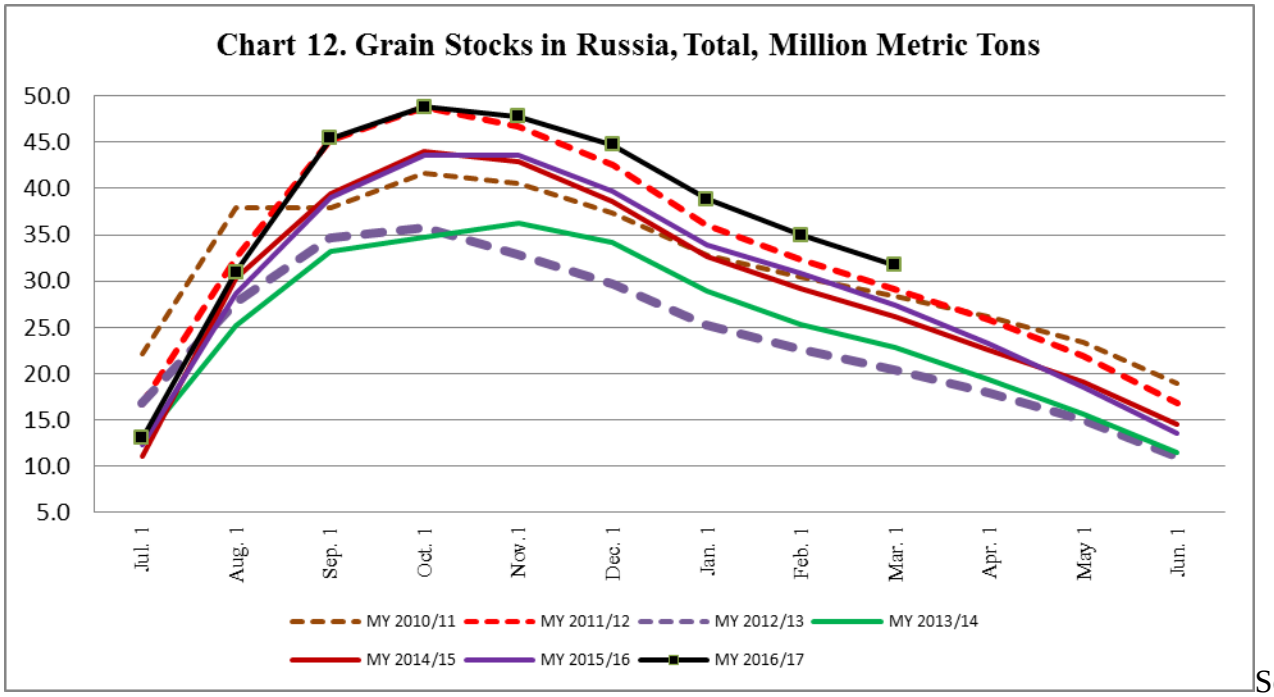
The corn marketing year begins in October, and from October 2016 through February 2017, Russia's corn exports were 2.86 MMT, which is more than in any similar period in Russian history. Ten countries accounted for 88 percent of corn exports from Russia, including Iran (580,400 MT), Korea Republic (453,700 MT), Vietnam (355,200 MT), Turkey (343,300 MT), Japan (235,300 MT), Netherlands (228,900 MT), Lebanon (121,700 MT), Spain (71,200 MT), Greece (70,000 MT), and Bangladesh (52,700 MT).

Stocks:

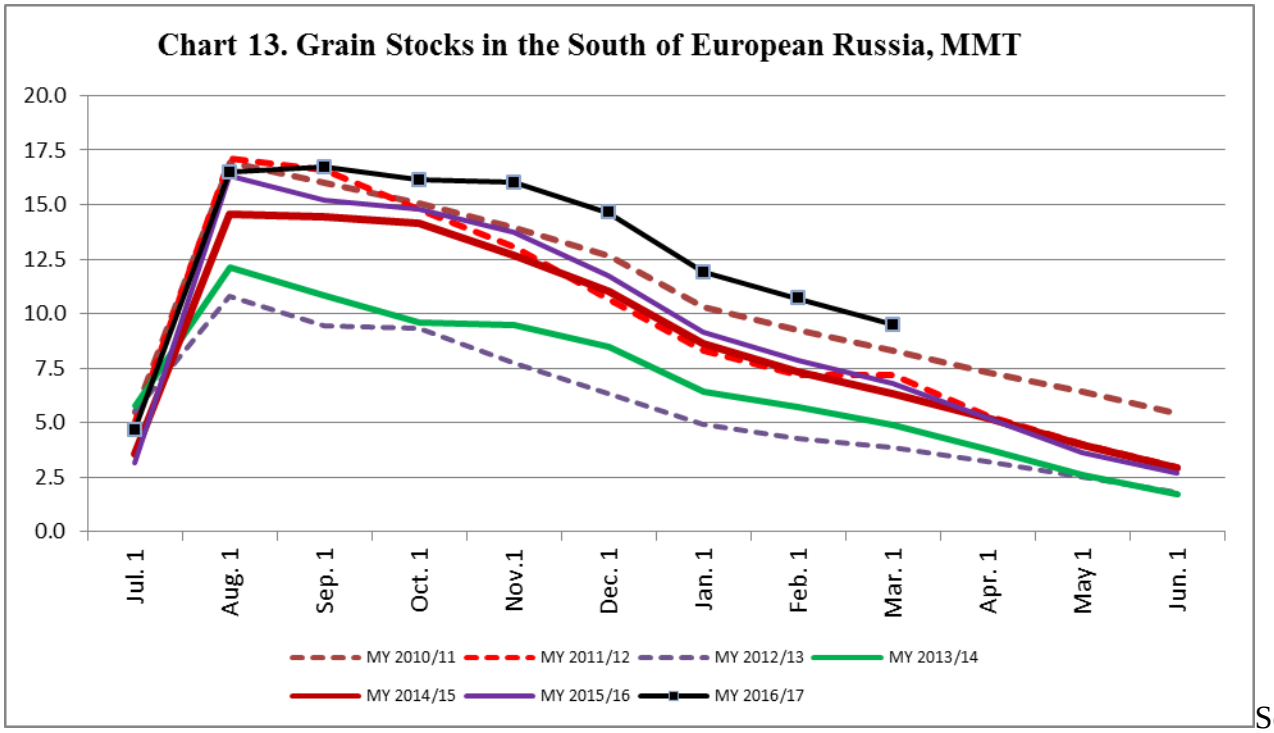
Assuming that grain crop in MY 2017/18 is forecast lower and exports is higher than in MY 2016/17, FAS/Moscow decreased the forecast carry-over grain stocks in the end of MY 2017/18 to 13.4 MMT from the estimated 15.1 MMT in the beginning of marketing year 2017/18. The forecast carry-over grain stocks include 11.13 MMT of wheat (estimated end of MY 2016/17 wheat stocks are 12.13 MMT), 0.68 MMT of barley (1.53 MMT by the end of MY 2016/17), 0.87 MMT of corn (0.82 MMT), and 0.72 MMT of other grains (0.63 MMT by the end of MY 2016/17).

Official data on grain stocks as of April 1, 2017 are not available yet, and increased grain exports in March 2017 may decrease Russia's April 1 grain stocks to the point where they are closer to "average April 1st stocks." But as of March 1, 2017, the historic high grain crop, and slow exports, resulted in Russia's highest grain stocks in the last seven years (the observed period) (Chart 12). Stocks in southern European Russia, the major exporting region, were also the highest in the last seven years (Chart 13). Wheat stocks at assembling and processing enterprises were also the highest in the observed five year period (Chart 14).[19]

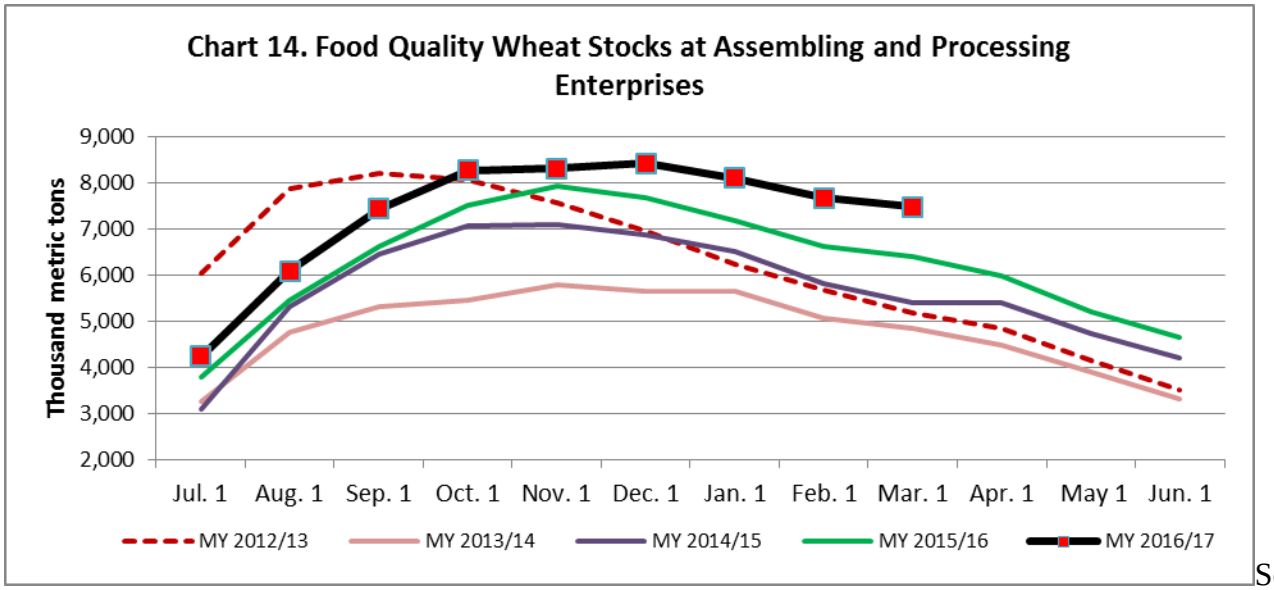
[19] http://www.gks.ru/bgd/free/b04_03/IssWWW.exe/Stg/d01/50.htm.



Source: Rosstat



Source: Rosstat



Source : Rosstat

The 2016 bumper crop raised serious concerns about Russian grain storage. According to the Ministry of Agriculture, the aggregate capacity of grain storage in Russia is 115-119 MMT, including elevator capacity of 40 MMT; barn capacity of 64 MMT, with the so called on-the-floor storage; and capacity at grain processing enterprises of 15 MMT. Half of all storage capacity (all types of storage) is located at farms.[20] According to industry, the capacity of outdated elevators may exceed 20 MMT. These large, concrete elevators were built over 30 years ago and have capacity to store over 100 TMT. And, often the distribution of elevators by provinces, does not match the distribution of the grain crop from year to year. In some provinces elevators may be half empty, while others may be bursting with grain.[21] Seventy percent of elevators do not meet the necessary storage requirements, and this may result in losses between 10 and 20 percent of the stored grain.[22] An update on Russia's grain storage capacity may be released with the completed 2016 Agricultural Census, expected in 2017-2018.[23]

Industry analysts also estimate the total grain storage capacity in Russia at 115-120 MMT, and this includes storage at farms, at assembling points (elevators of all levels), and at processing enterprises. According to estimates, the capacity of good elevators is approximately 38 MMT, or less than 35 percent of the total storage capacity. The remaining 77 MMT of storage are old barns and warehouses at farms, which cannot guarantee grain quality, or even quantity. Many elevators, yet alone barns, were built in Soviet times, and average grain losses at these facilities is three percent or more. Meanwhile, farmers keep these barns and use them for storing grain because storage at modern elevators is expensive. The fee for receiving grain at an elevator is approximately 150/200 Rubles per one MT. Storage of grain is 80 Rubles per month per one MT. Good quality grain must be stored at least six months and discharge after storage will cost the farmer another 300/400 Rubles per one MT. Thus, the total cost of storing grain at an elevator for six months is 930 to 1,080 Rubles per one MT, which is

[20] http://www.agroinvestor.ru/markets/article/24379/
[21] http://kvedomosti.ru/news/l
[22] http://www.agroinvestor.ru/markets/article/24379/
[23] http://kvedomosti.ru/news/

between 10 and 12 percent of the price of grain. On the other hand, farmers cannot afford to build their own elevator, because the pay-back period is 15-20 years.

These estimates, however, may not include storage at some poultry and livestock farms, and in agro-holding companies, which have their own feed mills, and keep their grain usually in good modern bins. According to industry analysts, the capacity of such storage increased in 2015 and 2016 in Kursk, Belgorod, Lipetsk, Orel, Pskov, and Amur Oblasts, although data are not available. In the last two to three years, Russian farmers also started using technologies of storing grain in plastic tubes, but there is no data on the extent to which these technologies are used.[24]

Policy

In March 2017, Aleksander Tkachev, Minister of Agriculture, ordered the completion of grain procurement interventions for the 2016 grain crop by March 20, 2017.[25] Grain interventions actually discontinued by mid-December 2016. During interventions (September to December 2016) the Government purchased (including Crimea) 954 TMT of grain from the 2016 crop, for over 9.1 billion rubles, including 143 TMT of wheat Class 3, 603 TMT of wheat Class 4, 155 TMT of wheat Class 5, and 53 TMT of barley (fodder). By January 1, 2017, the carry-over stocks of grain in the Intervention Fund (including grain from previous crop years) reached 4.04 MMT, which is 1.46 MMT more than on January 1, 2016. According to the United Grain Company, the State Agent for conducting grain interventions, in January 2017, the State Intervention Fund had in its possession the following grain stocks: wheat Class 3 – 1,709.3 TMT, wheat Class 4 – 1,567.7 TMT, wheat Class 5 – 375.8 TMT, barley (feed quality) – 242.7 TMT, Rye (food Grade A) – 140.3 TMT.

On March 29, 2017, the Ministry of Agriculture posted information that the draft Order on the target level of prices for the possible grain procurement interventions for the 2017 grain crop is waiting approval of the Federal Antimonopoly Service.[26] The Ministry underlines that the decision to initiate grain procurement interventions will be taken depending on the situation in the domestic market, and the proposed level of minimum prices will apply only if such a decision is taken. In previous years, the announcement of intervention prices at the end of March worked as the unofficial price target for the market. In order to avoid this, the Ministry emphasizes that it is not the price level itself, but the decision to begin interventions that is important. According to some industry analysts, given the current grain market situation, the interventions may not start in MY 2017/18. As of today there is no information on the approval of this Order.

For reference, the prices that are proposed by the Ministry of Agriculture for 2017 grain crop are the following:

- Soft food quality wheat Class 1 – 12,500 Rubles per 1 MT;
- Soft food quality wheat Class 2 – 11,500 Rubles per 1 MT;
- Soft food quality wheat Class 3 – 10,300 Rubles per 1 MT;
- Soft food quality wheat Class 4 – 9,000 Rubles per 1 MT;
- Wheat Class 5 – 7,600 Rubles per 1 MT;
- Rye, food quality, Class "A" – 7,400 Rubles per 1 MT;
- Barley, fodder – 7,600 Rubles per 1 MT;

[24] http://gosnovosti.com/2016/08/
[25] http://www.agroinvestor.ru/analytics/news/26521/
[26] http://www.mcx.ru/news/news/show_print/60090.355.htm

- Corn, Class 3 – 7,900 Rubles per 1 MT.

Prices are uniform for all Russian regions.

For the first time the Ministry announced prices for wheat Classes 1 and 2. In the last few years Russian farmers did not produce such wheat, and the reference price, according to the Ministry of Agriculture, may stimulate its production. Comparison with the reference prices for previous interventions is in the Table 6.

Table 6. Target Prices for Intervention Purchases, Rubles per 1 MT

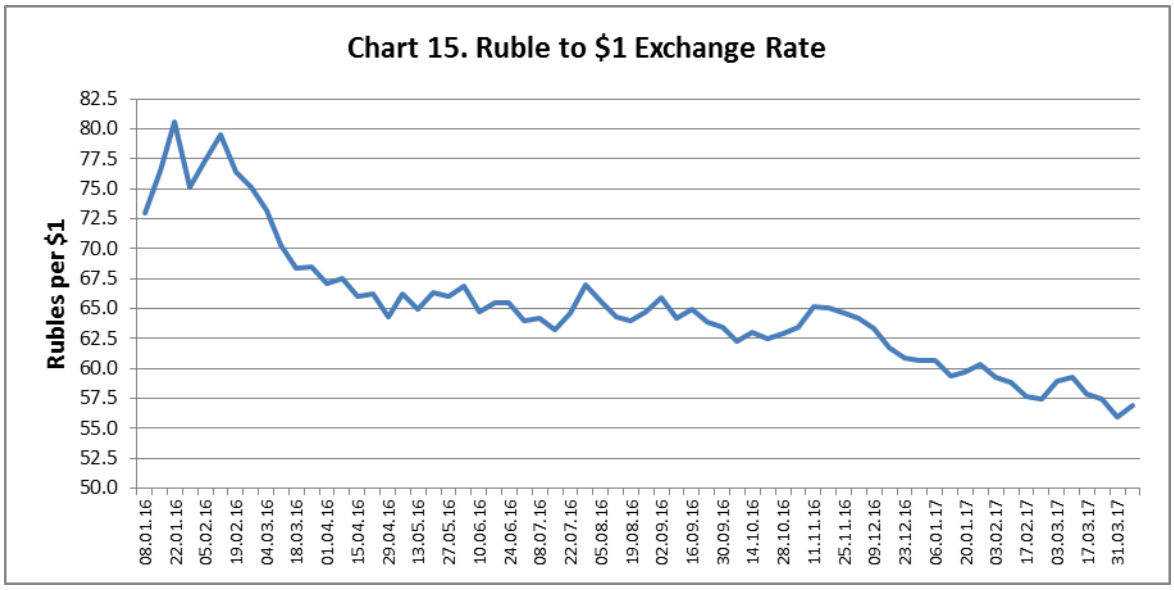
	Mar. 31, 2014, for crop 2014	Dec. 22, 2014, for crop 2014	Mar. 31, 2015, for crop 2015	Oct. 5, 2015, for crop 2015	Mar. 18, 2016, for crop 2016	Mar. 2017, for crop 2017
Wheat Class 1						12,500
Wheat Class 2						11,500
Wheat Class 3						
- Central, North-Western, Volga Valley, North Caucasus, Southern	6,750	10,000	9,700	10,900	10,900	10,300
- Ural, Siberia, Far Eastern	6,400	10,000	9,500			
Wheat Class 4						
- Central, North-Western, Volga Valley, North Caucasus, Southern	6,450	9,300	8,900	10,400	10,400	9,000
- Ural, Siberia, Far Eastern	6,200	9,200	8,700			
Wheat Class 5 (feed)						
- Central, North-Western, Volga Valley, North Caucasus, Southern	6,100	9,000	8,600	8,800	8,800	7,600
- Ural, Siberia, Far Eastern	6,000	9,100	8,400			
Rye (Group "A")/Class 3 and higher	5,100	5,100	6,400	7,400	7,400	7,400
Barley, fodder	5,150	5,150	6,500	7,500	8,000	7,600
Corn (grain), Class 3	5,600	5,600	6,900	6,900	7,900	7,900
Note: 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.						

Marketing

During the last three years grain exports accounted for 25 to 30 percent of Russia's grain crop, and exports significantly influenced domestic grain prices. Thus, the major driving factors of grain prices in MY 2016/17 were high domestic stocks of grain, the volatility of the Russian Ruble, the world grain market situation, and even political factors, such as exemption of Russia from the list of grain exporters to Turkey under the duty-free regime in March 2017, and temporary zero *Ergot* tolerance in grain

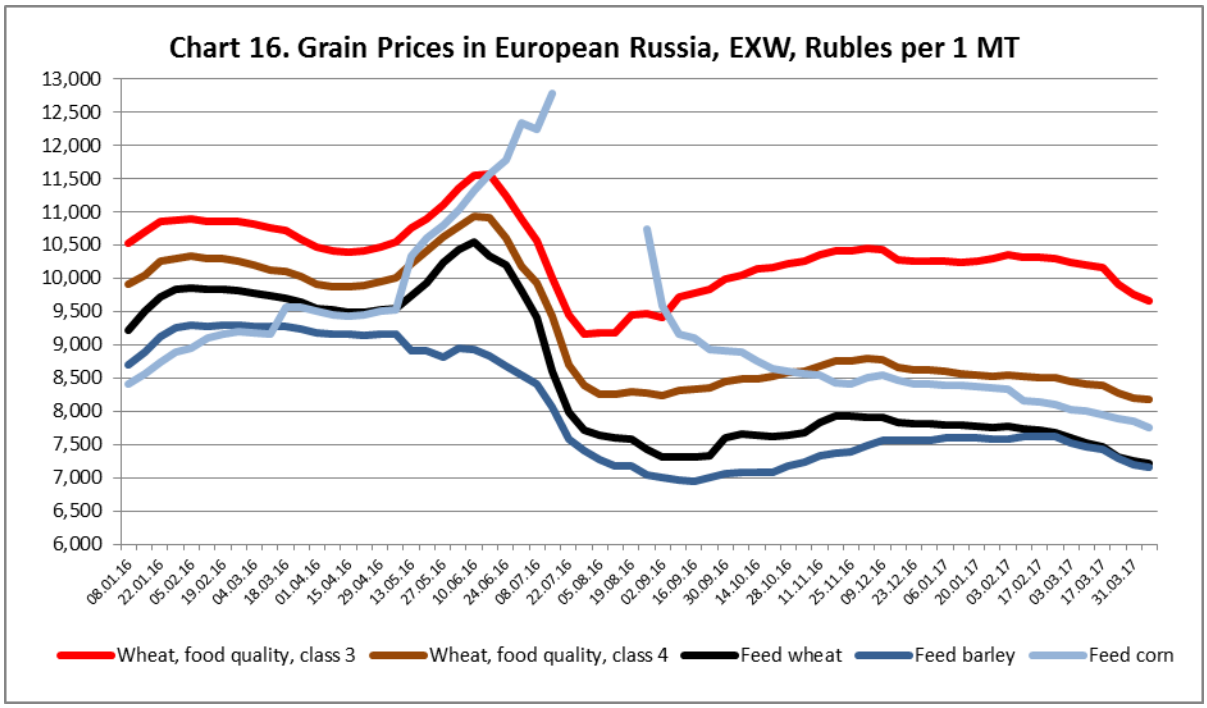
exported to Egypt in August-September 2016.[27] Grain prices reached the peak in the beginning of marketing year 2016/17, and then dropped in expectation of the bumper 2016 grain crop, then increased driven by the softening of the Ruble to the U.S. Dollar. However, since the beginning of CY 2017 prices have been declining due to the stronger Ruble, which impacted exports; the remaining large stocks of grain; the prospects of a good crop in 2017; and Turkish factor.

Changes in Ruble to U.S. Dollar exchange rate, grain prices changes in the European Russia, the main exporting region of the Russian Federation, since beginning of January 2016, in Rubles and in the U.S. Dollars are provided in the charts below. The Charts show that the strengthening of the Russian Ruble keeps Dollar prices of Russian grain at a relatively high level despite the decreasing prices in Rubles.

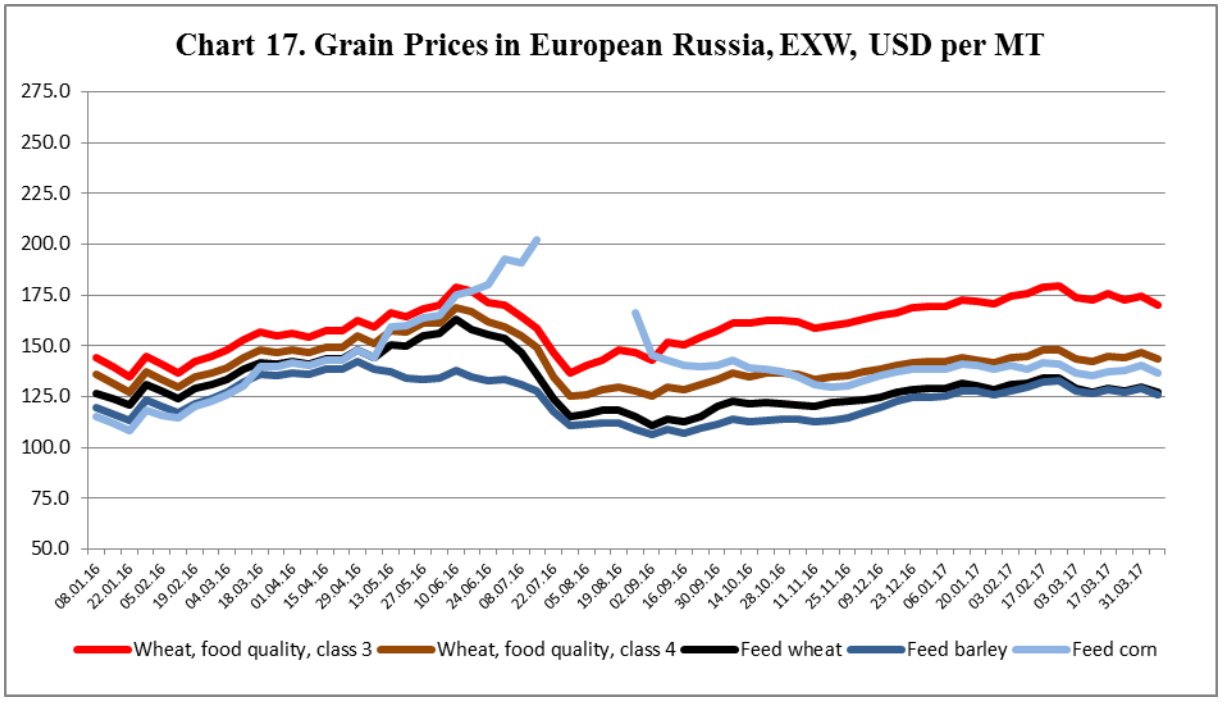


Source: Central Bank of Russia

[27] For more information see FAS/Moscow GAIN reports Russian Agricultural Policy and Situation Bi-Weekly_3-22-2017.pdf and Russian Agricultural Policy and Situation Bi-Weekly_9-16-2016.pdf



Source: ProZerno



Source: ProZerno

Production, Supply and Demand Data Statistics

Wheat	2015/2016		2016/2017		2017/2018	
Market Begin Year	Jul 2015		Jul 2016		Jul 2017	
Russia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	25577	25577	27004	27004	0	26500
Beginning Stocks	6285	6285	5601	5601	0	12130
Production	61044	61044	72529	72529	0	66000
MY Imports	815	815	500	500	0	500
TY Imports	815	815	500	500	0	500
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	68144	68144	78630	78630	0	78630
MY Exports	25543	25543	28000	26500	0	28000
TY Exports	25543	25543	28000	26500	0	28000
Feed and Residual	14000	14000	16000	17000	0	16500
FSI Consumption	23000	23000	23000	23000	0	23000
Total Consumption	37000	37000	39000	40000	0	39500
Ending Stocks	5601	5601	11630	12130	0	11130
Total Distribution	68144	68144	78630	78630	0	78630
(1000 HA) ,(1000 MT)						

Barley	2015/2016		2016/2017		2017/2018	
Market Begin Year	Jul 2015		Jul 2016		Jul 2017	
Russia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	8042	8042	7955	7955	0	7600
Beginning Stocks	1533	1533	836	836	0	1533
Production	17083	17083	17547	17547	0	16000
MY Imports	61	61	50	50	0	50
TY Imports	99	99	50	50	0	50
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	18677	18677	18433	18433	0	17583
MY Exports	4241	4241	3400	3000	0	3300
TY Exports	3735	3735	3400	3000	0	3300
Feed and Residual	8900	8900	9000	9200	0	8900
FSI Consumption	4700	4700	4700	4700	0	4700
Total Consumption	13600	13600	13700	13900	0	13600
Ending Stocks	836	836	1333	1533	0	683
Total Distribution	18677	18677	18433	18433	0	17583
(1000 HA) ,(1000 MT)						

Corn	2015/2016		2016/2017		2017/2018	
Market Begin Year	Oct 2015		Oct 2016		Oct 2017	
Russia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	2671	2671	2777	2777	0	2850
Beginning Stocks	348	348	169	169	0	824
Production	13168	13168	15305	15305	0	15300
MY Imports	44	44	50	50	0	50
TY Imports	44	44	50	50	0	50
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	13560	13560	15524	15524	0	16174
MY Exports	4691	4691	5300	5100	0	5400
TY Exports	4691	4691	5300	5100	0	5400
Feed and Residual	7800	7800	8700	8700	0	9000
FSI Consumption	900	900	900	900	0	900
Total Consumption	8700	8700	9600	9600	0	9900

Ending Stocks	169	169	624	824	0	874
Total Distribution	13560	13560	15524	15524	0	16174
(1000 HA) ,(1000 MT)						

Rye	2015/2016		2016/2017		2017/2018	
Market Begin Year	Jul 2015		Jul 2016		Jul 2017	
Russia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	1249	1249	1251	1251	0	1500
Beginning Stocks	264	264	130	130	0	263
Production	2084	2084	2538	2538	0	2600
MY Imports	5	5	5	5	0	5
TY Imports	5	5	5	5	0	5
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	2353	2353	2673	2673	0	2868
MY Exports	48	48	10	10	0	50
TY Exports	23	23	25	25	0	50
Feed and Residual	225	225	150	300	0	300
FSI Consumption	1950	1950	2100	2100	0	2150
Total Consumption	2175	2175	2250	2400	0	2450
Ending Stocks	130	130	413	263	0	368
Total Distribution	2353	2353	2673	2673	0	2868
(1000 HA) ,(1000 MT)						

Oats	2015/2016		2016/2017		2017/2018	
Market Begin Year	Jul 2015		Jul 2016		Jul 2017	
Russia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	2829	2829	2746	2746	0	2750
Beginning Stocks	289	289	199	199	0	289
Production	4527	4527	4750	4750	0	4500
MY Imports	2	2	0	0	0	0
TY Imports	4	4	0	0	0	0
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	4818	4818	4949	4949	0	4789
MY Exports	19	19	10	10	0	10
TY Exports	16	16	10	10	0	10
Feed and Residual	3000	3000	3050	3050	0	2900
FSI Consumption	1600	1600	1600	1600	0	1600
Total Consumption	4600	4600	4650	4650	0	4500
Ending Stocks	199	199	289	289	0	279
Total Distribution	4818	4818	4949	4949	0	4789
(1000 HA) ,(1000 MT)						

Rice, Milled	2015/2016		2016/2017		2017/2018	
Market Begin Year	Jan 2016		Jan 2017		Jan 2018	
Russia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	199	199	204	204	0	205
Beginning Stocks	101	101	96	96	0	74
Milled Production	722	722	703	703	0	715
Rough Production	1111	1111	1082	1082	0	1100
Milling Rate (.9999)	6500	6500	6500	6500	0	6500
MY Imports	211	211	200	200	0	200
TY Imports	211	211	200	200	0	200
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	1034	1034	999	999	0	989

MY Exports	198	198	180	180	0	180
TY Exports	198	198	180	180	0	180
Consumption and Residual	740	740	745	745	0	740
Ending Stocks	96	96	74	74	0	69
Total Distribution	1034	1034	999	999	0	989
(1000 HA) ,(1000 MT)						

Millet	2015/2016		2016/2017		2017/2018	
Market Begin Year	Jul 2015		Jul 2016		Jul 2017	
Russia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	440	440	406	406	0	400
Beginning Stocks	0	0	0	0	0	0
Production	565	565	625	625	0	550
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	565	565	625	625	0	550
MY Exports	0	0	0	0	0	0
TY Exports	0	0	0	0	0	0
Feed and Residual	320	320	375	375	0	300
FSI Consumption	245	245	250	250	0	250
Total Consumption	565	565	625	625	0	550
Ending Stocks	0	0	0	0	0	0
Total Distribution	565	565	625	625	0	550
(1000 HA) ,(1000 MT)						