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Grain and Feed December 2014 Update

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Approved By:

Robin Gray

Prepared By:

STAFF

Report Highlights:

Based on the officially reported data on the progress of the Russian grain harvest, FAS/Moscow increased its forecast of Russia's total grain crop in MY 2014/15 by 1 million metric tons (MMT) to 102 MMT. The forecasted crop includes 58 MMT of wheat, 19.5 MMT of barley, 11.5 MMT of corn, and almost 13 MMT of other grains and pulses. Given these crop volumes and the volatility of ruble exchange rate Russia may export up to 30 MMT of grain, including 22 MMT of wheat, 4.3 MMT of barley, 2.5 MMT of corn, and from 0.5 to 0.8 MMT of other grains and pulses. By mid-November area sown to winter crops, primarily grains, exceeded 16.8 million hectares, and was almost 2 million hectares more than a year ago. However, very dry and cold fall weather in the Central European Russia District may affect the condition of the winter grain crop in 2015.

General Information:

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

Production

FAS/Moscow increased the previous (October 2014) Russia total grain crop forecast for MY 2014/15 by 1 million metric tons (MMT) to 102 MMT. This crop will be the second highest crop in the last 20 years. This forecast includes 58 MMT of wheat (a 0.5 MMT increase from the previous forecast), 19.5 MMT of barley (a 0.5 MMT increase from the previous FAS/Moscow forecast), 11.5 MMT of corn, and almost 13 MMT of other grains and pulses. Cold but dry weather in the end of October, and in November, allowed farmers in European Russia to harvest the maximum possible corn, and the corn crop, despite lower than yields seen last year, will remain the second highest in the Russian history.

Harvest progress

According to the Ministry of Agriculture, reports that include Crimea, as of November 20, 2014, Russian farmers harvested 110.0 MMT of grain[1] from 43.8 million hectares, or 97.2 percent of the sown area. Harvested wheat crop was 62.2 MMT. Without Crimea, Russia's harvested grain crop as of November 20, 2014, was 108.8 MMT, including 61.6 MMT of wheat.

By major grain crops reported by the Russian Ministry of Agriculture, the results of the harvest as of November 20, 2014 are in the table below.

Harvest as of November 20, 2014*			
	Harvested crop, 1,000 MT	Harvested Area, 1,000 HA	Percent of planned area, %
Total Grain	108,843	43,276	97.2
Wheat	61,568	23,604	97.0
Barley	20,749	8,810	99.3
Corn	11,015	2,414	92.1
Rice	1,143	188	95.7
Buckwheat	745	739	97.4
Other grains and pulses	13,623	7,522	97.0
* Crimea is not included			

Source: Based on the data provided by the Russian Ministry of Agriculture

According to the Russian Ministry of Agriculture, as of November 20, 2014 grains and pulses harvested in each of the major federal districts (FD) is as follows:

- Farmers in the Southern FD harvested 27.5 MMT of grain from 7.7 million hectares (98.6 percent of all area planned for harvest[2]). The harvest of all grains, except corn, was completed. 4.1 MMT of corn was harvested from 934,000 hectares, or 95.8 percent of planned harvest area;

[1] During harvest the harvested crop is given in bunker weight, that is 4-7 percent higher than the final clean weight.

[2] Area planned for harvest is sown area minus losses and area transferred for grazing

- Farmers in the North Caucasus FD harvested 11.0 MMT from 2.9 million hectares (98.0 percent of area planned for harvest). Almost 2.2 MMT of corn was harvested from 0.4 million hectares, or 86.7 percent of area planned for harvest. Harvest of all other grains was completed;
- In the Central FD farmers harvested 27.1 MMT from 7.4 million hectares, or 98.8 percent of area planned for harvest. Corn (3.9 MMT) was harvested from 97.3 percent of planned area, and harvesting of all other grains was completed;
- In the Volga Valley FD farmers harvested 22.3 MMT of grain from 12.2 million hectares, or 99.4 percent of area planned for harvest. Harvest of all crops was completed by the third decade of November. Only some corn remained non-harvested although area sown to corn was very low;
- Farmers in the Ural FD harvested 5.0 MMT of grain from 3.0 million hectares, or 88.0 percent of area planned for harvest. Farmers there do not grow corn, and the non-harvested is wheat area. Given harsh climate in this area, the remaining wheat will not be harvested;
- Farmers in the Siberia FD harvested 14.2 MMT of grain from 9.4 million hectares, or 95.2 percent of area planned for harvest. The remaining non-harvested area was primarily wheat area, and is unlikely to be harvested.

Winter grain sowing

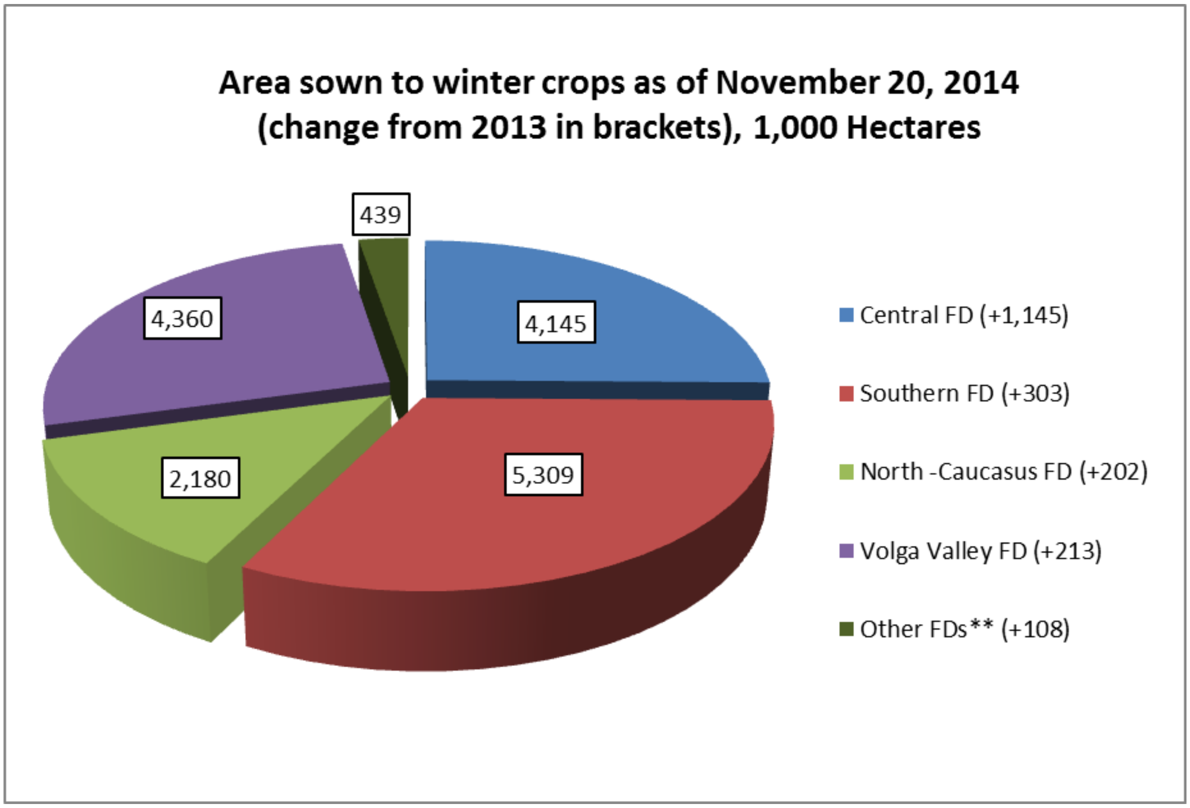
According to the Ministry of Agriculture, as of November 20, 2014, Russian farmers planted 16.84 million hectares with winter grain and rapeseed[3]. By that date, the area sown to winter grains and rapeseed exceeded the plan by two percent, and was almost 2 million hectares, or 13 percent, bigger than on the same date in 2013. The biggest increase in winter sown area was in the Central FD, where the area sown to winter crops increased by 1.15 million hectares to 4.15 million hectares.

It is still very early to make any estimates on the survival of winter grain, or any forecast of the winter crop in 2015. However, industry analysts note that the following factors may negatively influence the survival of the winter crops, especially in the Central FD, and affect Russia's winter grain crop in 2015:

- Low level of soil moisture in the Central and the Volga Valley FDs in October hampered the beginning of plant vegetation;
- Low temperatures and frosts without snow in the Central and the Volga Valley FDs in November halted the plant vegetation.

These factors may result in the weakening of plants and the survival of winter grain may be worse than last year and even worse than the 5 year average.

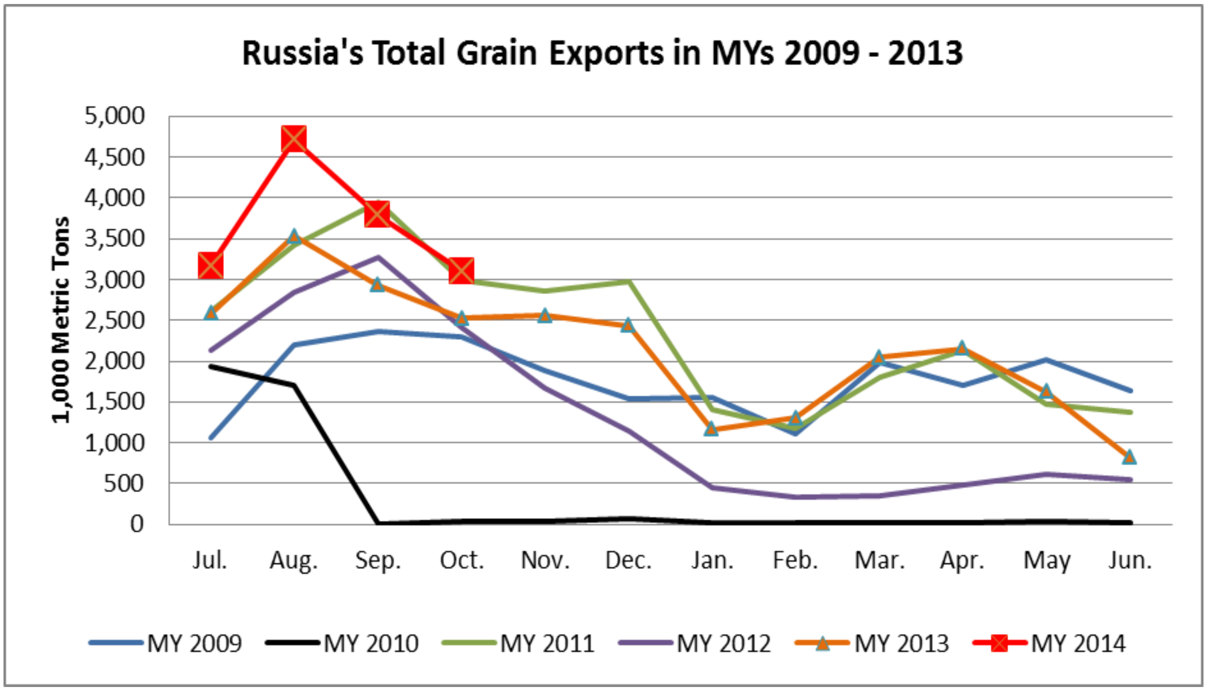
[3] By the end of winter some fields that were sown with winter grain and winter rapeseed but were damaged by winter may be harvested for grazing (green chop).



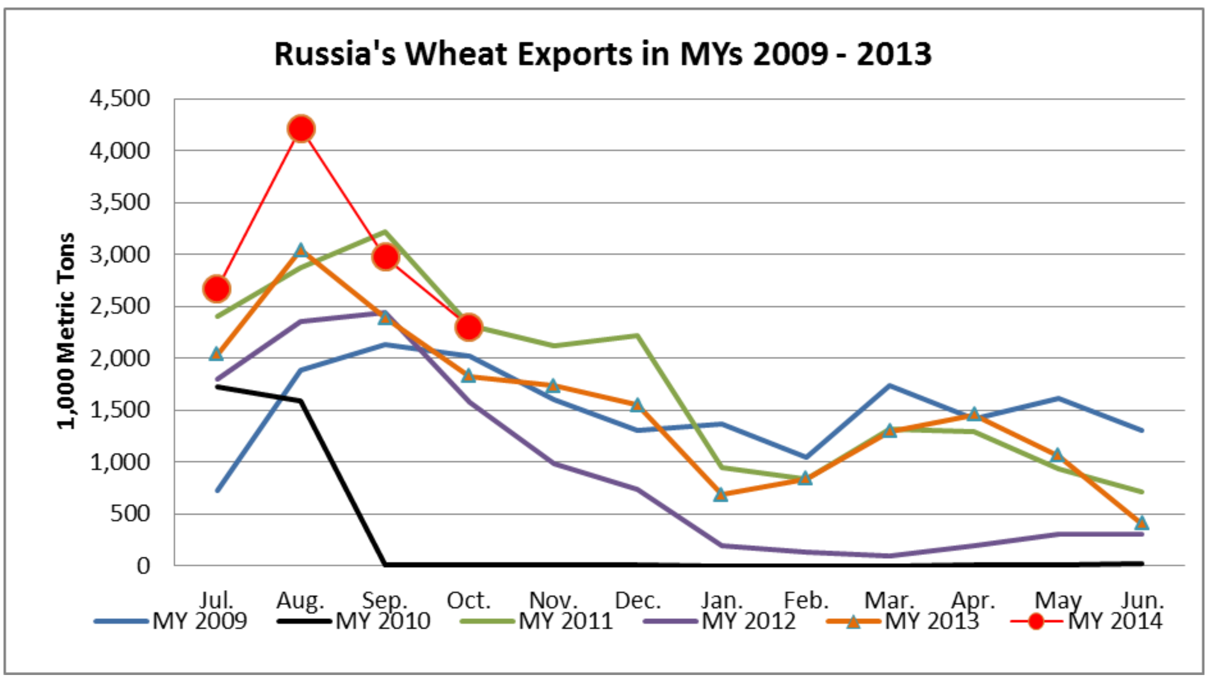
Source: Ministry of Agriculture of the Russian Federation

Trade

FAS/Moscow increased the total grain exports forecast in MY 2014/15 to 29.5 MMT (1.5 MMT more than in the previous forecast), including 22 MMT of wheat (1 MMT more than in the previous forecast), 4.3 MMT of barley (0.3 MMT more than in the previous forecast), 2.5 MMT of corn (the same as in the previous forecast), and from 0.6 to 0.8 MMT of other grains and pulses. The increased export forecast is based on the current speed of exports. According to preliminary State Customs data, in the first 4 months of MY 2014/15 (July – October 2014) Russia exported over 14.7 MMT of grain and grain products. This same period also saw the highest ever Russian grain exports. Exports included 12.14 MMT of wheat, 1.83 MMT of barley, 0.56 MMT of corn and approximately 0.12 MMT of other grains and pulses. Export forecasts are based on the current price situation in the world markets and the current exchange rate of the ruble to the U.S. Dollar. Fast depreciation of Russian ruble in November 2014 stimulated grain exports despite increasing domestic prices. Given the high volatility of this exchange rate in MY 2014/15, stimuli to export and price competitiveness of Russian grain, particularly for wheat, may change significantly in the coming months.



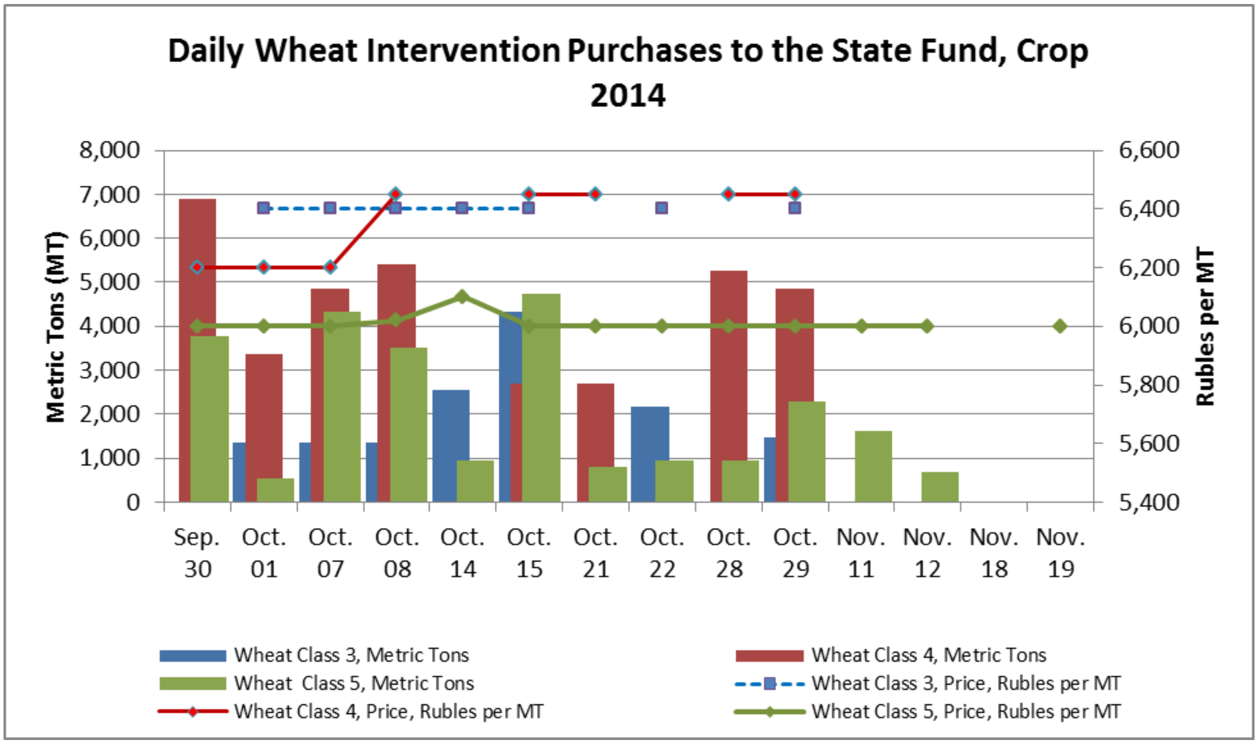
Source: Russian State Customs Service



Source: Russian State Customs Service

Policy
Domestic market prices continued to rise driven by stable and growing export and domestic demand, and farmers stopped selling grain to the intervention fund. No wheat was sold at the sessions that were held in mid-November. In the course of the 14 sessions that were held from September 30th through November 19th, farmers sold to the intervention fund: 14,580 MT of milling wheat Class 3 (the last sale was on October 29); 36,045 MT of milling wheat Class 4 (the last sale was also on October 29); 26,055

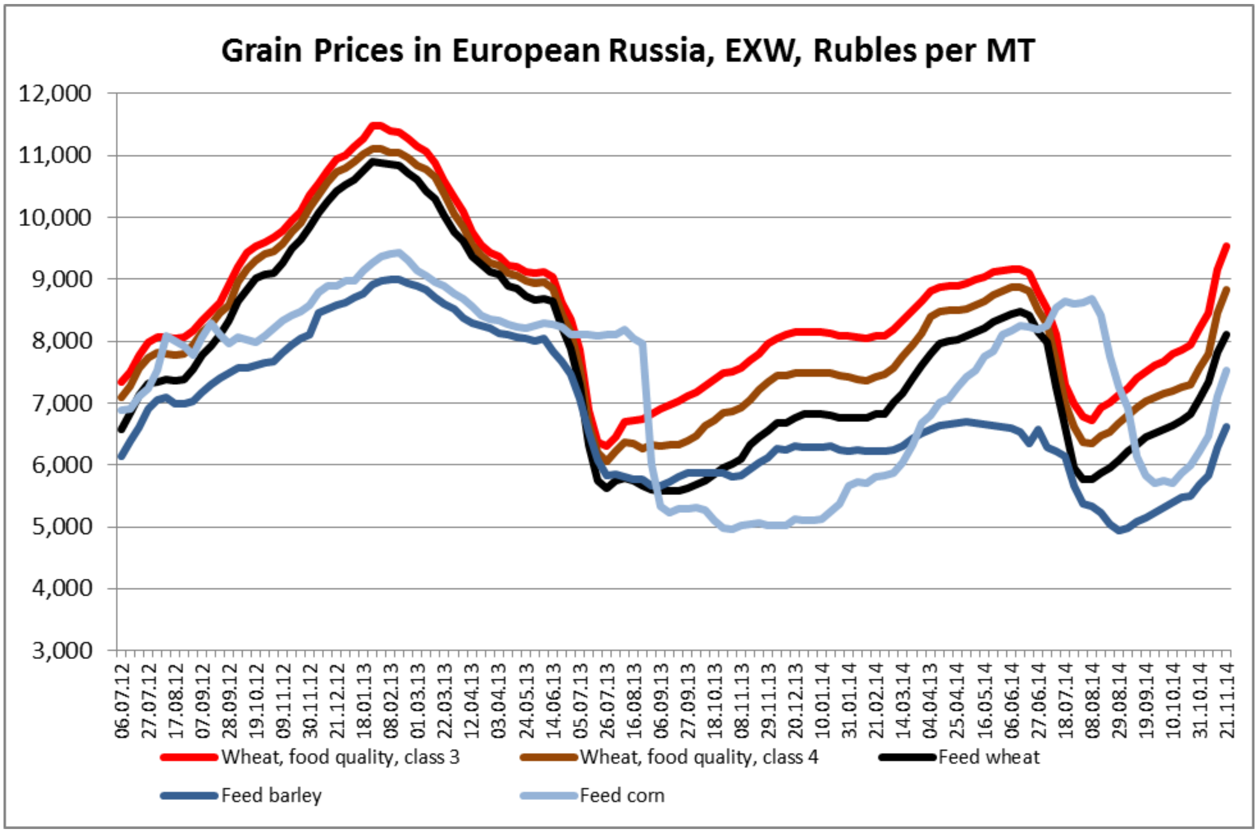
MT of feed quality wheat Class5, 66,285 MT of food quality rye; and 112,840 MT of fodder barley. Sales of rye and barley continued in small quantities through November 19, 2014.



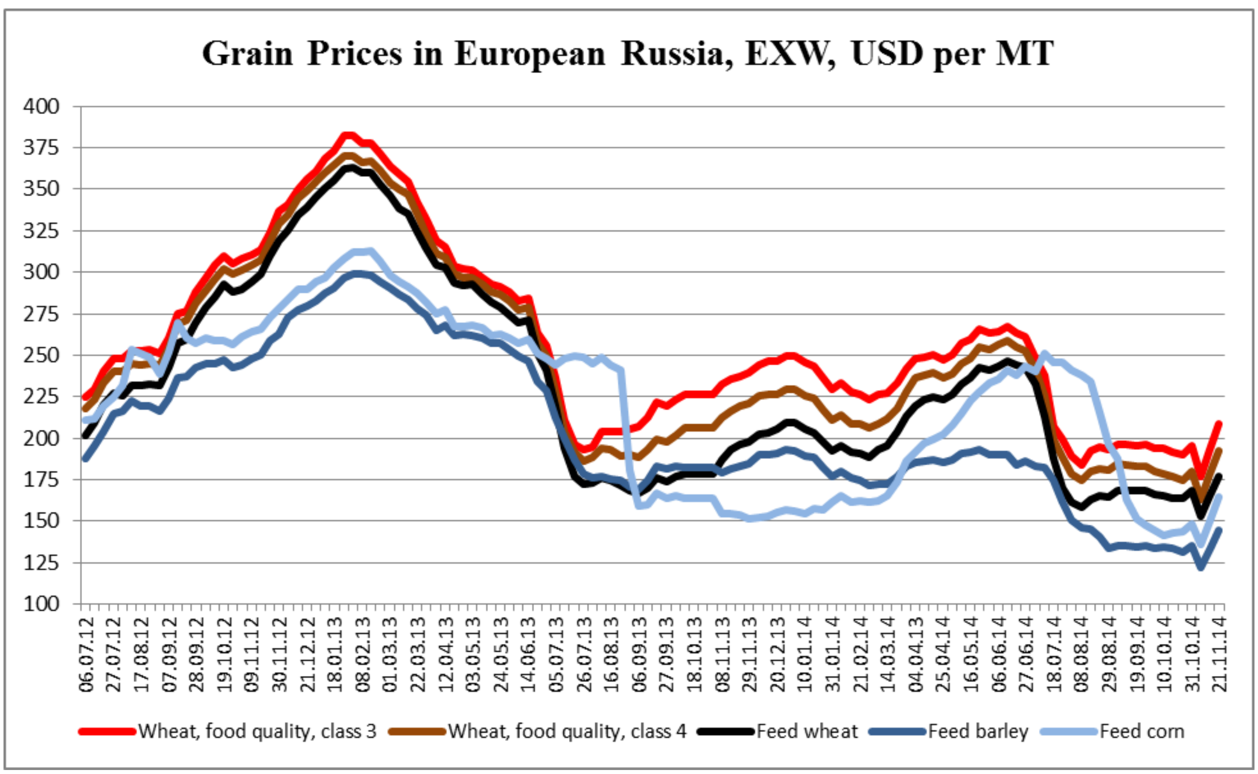
Source: www.namex.org

Marketing

Depreciation of the ruble continued through November. This factor more than anything else, was the driving force of exports. These exports continued to grow despite an increasing domestic grain prices in rubles.



Source: ProZerno



Source: ProZerno

Production, Supply and Demand Tables

PSD Wheat

Wheat Russia	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Jul 2012		Market Year Begin: Jul 2013		Market Year Begin: May 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	21,296	21,296	23,399	23,399	23,750	23,750
Beginning Stocks	10,899	10,899	4,952	4,952	5,209	5,209
Production	37,720	37,720	52,091	52,091	59,000	58,000
MY Imports	1,172	1,172	800	800	200	500
TY Imports	1,172	1,172	800	800	200	500
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	49,791	49,791	57,843	57,843	64,409	63,709
MY Exports	11,289	11,289	18,534	18,534	22,500	22,000
TY Exports	11,289	11,289	18,534	18,534	22,500	22,000
Feed and Residual	11,900	11,900	12,500	12,500	13,000	12,500
FSI Consumption	21,650	21,650	21,600	21,600	22,000	22,000
Total Consumption	33,550	33,550	34,100	34,100	35,000	34,500
Ending Stocks	4,952	4,952	5,209	5,209	6,909	7,209
Total Distribution	49,791	49,791	57,843	57,843	64,409	63,709
1000 HA, 1000 MT, MT/HA						

PSD Barley

Barley Russia	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Jul 2012		Market Year Begin: Jul 2013		Market Year Begin: Jul 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	7,631	7,760	8,024	8,024	8,200	8,200
Beginning Stocks	848	848	726	726	973	973
Production	13,952	13,952	15,389	15,389	19,500	19,500
MY Imports	262	262	139	139	100	100
TY Imports	278	278	125	125	100	100
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	15,062	15,062	16,254	16,254	20,573	20,573
MY Exports	2,236	2,236	2,681	2,681	4,300	4,300
TY Exports	2,366	2,366	2,700	2,700	4,300	4,300
Feed and Residual	7,700	7,700	8,200	8,200	9,500	9,500
FSI Consumption	4,400	4,400	4,400	4,400	4,800	4,800
Total Consumption	12,100	12,100	12,600	12,600	14,300	14,300
Ending Stocks	726	726	973	973	1,973	1,973
Total Distribution	15,062	15,062	16,254	16,254	20,573	20,573
1000 HA, 1000 MT, MT/HA						

PSD Corn

Corn Russia	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Oct 2012		Market Year Begin: Oct 2013		Market Year Begin: Oct 2014	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	1,937	1,937	2,322	2,322	2,600	2,600
Beginning Stocks	350	350	297	297	382	382
Production	8,213	8,213	11,635	11,635	12,000	11,500
MY Imports	51	51	50	50	50	50
TY Imports	51	51	50	50	50	50
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	8,614	8,614	11,982	11,982	12,432	11,932

MY Exports	1,917	1,917	4,100	4,100	3,000	2,500
TY Exports	1,917	1,917	4,100	4,100	3,000	2,500
Feed and Residual	5,600	5,600	6,600	6,600	8,000	8,000
FSI Consumption	800	800	900	900	1,000	1,000
Total Consumption	6,400	6,400	7,500	7,500	9,000	9,000
Ending Stocks	297	297	382	382	432	432
Total Distribution	8,614	8,614	11,982	11,982	12,432	11,932
1000 HA, 1000 MT, MT/HA						