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## Russian Federation

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### Grain and Feed June 2014 Update

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**Report Highlights:**

Spring grain sowing in Russia is currently ahead of last year's pace, and FAS/Moscow forecasts Russia's total grain crop in MY 2014/15 at 92 million metric tons (MMT), the same as in 2013 (92.3 MMT). Despite an estimated 8 percent decrease in winter grain area, this is expected to be offset by higher spring grain area and production. The all grain production forecast includes 52.0 MMT of wheat, 16.0 MMT of barley, 11.5 MMT of corn, 1.0 MMT of rough rice (650,000 MMT of milled rice), 5.0 MMT of oats, 3.0 MMT of rye, and approximately 3.3 MMT of other grains and pulses. Grain exports are forecast at 24.0 MMT, including 18.0 MMT of wheat, 2.5 MMT of barley, and 3.0 MMT of corn.

## Production

FAS/Moscow increased the forecast for Russia's total grain crop for MY 2014/15 by 1.0 million metric tons to 92 million metric tons (MMT), nearly unchanged from the crop in 2013 (92.3 MMT). This change was primarily due to higher expected production of corn. The total grain forecast includes 52.0 MMT of wheat, 16.0 MMT of barley, 11.5 MMT of corn (up 0.5 MMT from previous forecast), 1.0 MMT of rough rice (650,000 metric tons of milled rice), 5.0 MMT of oats, 3.0 MMT of rye, and approximately 3.3 MMT of other grains and pulses. The forecast is based on the assumption that lower winter grain production, as a result of smaller planted area, will be compensated by higher spring grain production. The spring grain crop is expected to be larger as a result of expanded sown area, and an increased share of this area in high-yielding corn. The Russian Ministry of Agriculture increased their grain crop forecast from 95 MMT to 100 MMT, but forecasts of most other industry analysts range from 88 MMT to 97 MMT.

Winter grain sown area for 2014 crop is 14.9 million hectares, 8 percent lower than last year. However, the general condition of winter grains is estimated by farmers as good. Also, although conditions differ by province, in general farmers expect to receive higher yields than the 5-year average yields for winter grains.

Due to untypically warm spring weather in European Russia, spring grain sowing in 2014 commenced earlier than last year. According to the Ministry of Agriculture, as of May 21, 2014, Russian farmers planted 22.7 million hectares, which is 3.9 million hectares more than on the same date last year. The Ministry of Agriculture forecasts spring grain sown area in 2014 at 31.92 million hectares, including 13.17 million hectares of spring wheat, 8.72 million hectares of spring barley, 2.59 million hectares of corn for grain, and 198,100 hectares of rice.

Table 1 – Spring Grain Sown Area by Grain, 2012 -2014, 1,000 HA

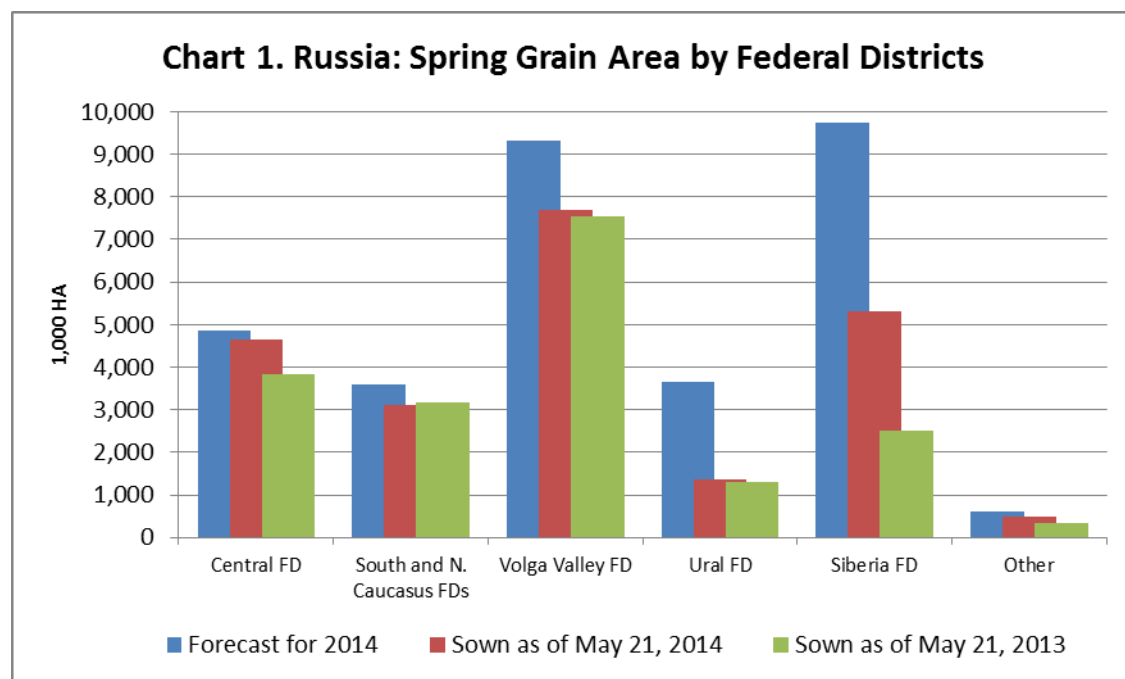
	2011	2012	2013	Ministry forecast for 2014	Change in 2014 from 2013
Spring wheat	13,747	12,843	12,729	13,169	+3.5%
Spring barley	7,498	8,529	8,628	8,723	+1.1%
Corn for grain	1,716	2,058	2,450	2,581	+5.3%

Source: Russian State Statistical Service (Rosstat) and Russian Ministry of Agriculture

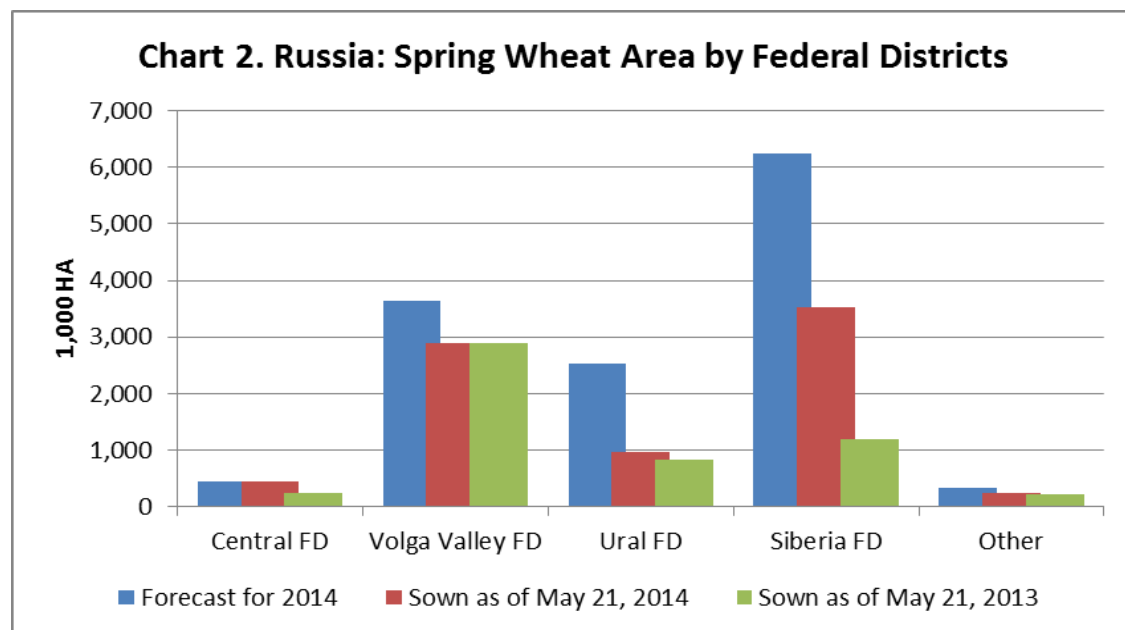
By May 21, 2014 spring sowing included 8.1 million hectares sown to spring wheat (61.2 percent of forecast area), which was 2.7 million hectares more than on the same date last year. Spring barley was sown on 7.3 million hectares (83.4 percent of forecast area), which was 0.7 million hectares more than last year. Corn for grain was sown to 2.4 million hectares (91.6 percent of forecast), which is 255,500 hectares more than last year. Rice has been sown to 158,400 hectares (80 percent of planned), which is 12,400 hectares more than last year on the same date. It is too early to make any definitive predictions for spring grain crop production as much will depend on weather in coming months. However, dry and hot weather in the European Russia in May 2014 and limited

financial resources of Russian crop producers are factors which could impact the spring crop.

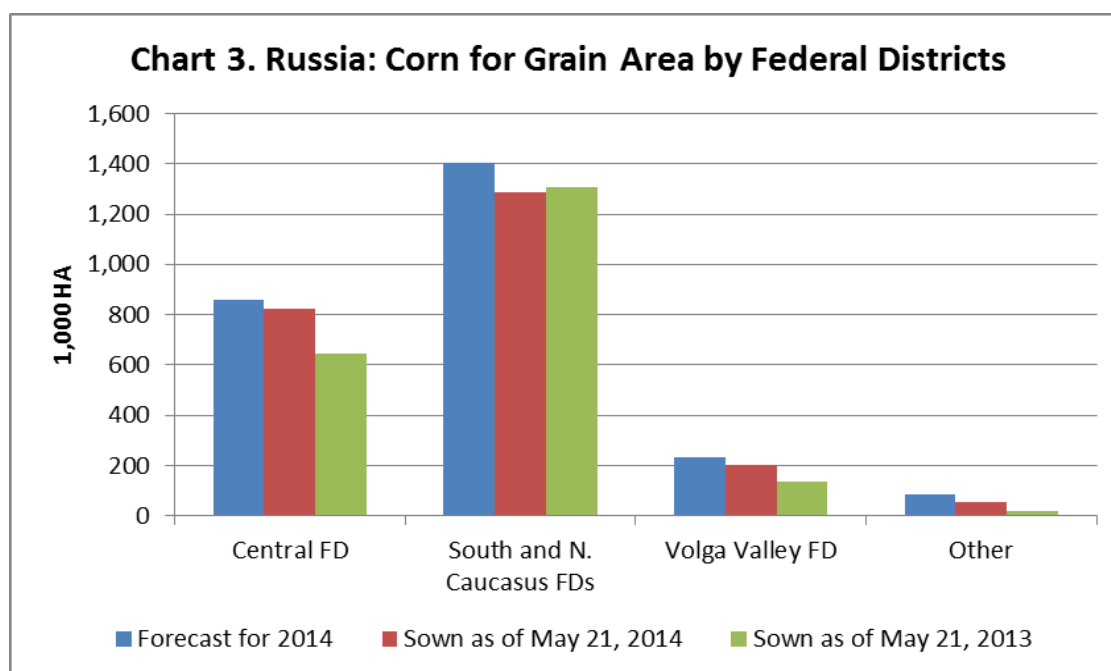
In Russia spring grain area is concentrated in the Central, South and North Caucasus, Volga Valley, Ural and Siberia federal districts. As of May 21<sup>st</sup>, 2014, the Central, South and North Caucasus, and Volga Valley federal districts completed most of the expected spring grain sowing (Chart 1)



Source: Ministry of Agriculture of the Russian Federation



Source: Ministry of Agriculture of the Russian Federation



Source: Ministry of Agriculture of the Russian Federation

### Input supply

The Ministry of Agriculture of the Russian Federation estimates the total “need” of Russian farmers for mineral fertilizer at 2.56 MMT (in active ingredient) including 1.79 MMT for spring field works. Although from January through mid-May farmers actually acquired more fertilizer than in the same period last year, lower carry-over stocks of fertilizer resulted in total fertilizer supplies with farmers on May 12, 2014 being 1.425 MMT, 31,900 MT less than on the same date last year<sup>1</sup>.

For seeds, industry analysts estimate that corn production (the fastest developing segment of Russia’s spring grain), is almost completely dependent on imported planting seeds of corn and that 96 percent of planting seeds of corn are imported. Fortunately, it is believed that farmers managed to import the bulk of corn planting seeds prior to depreciation of the Russian ruble to the U.S. dollar, and imports of corn planting seeds for the 2014 crop increased by 30 percent compared to last year.

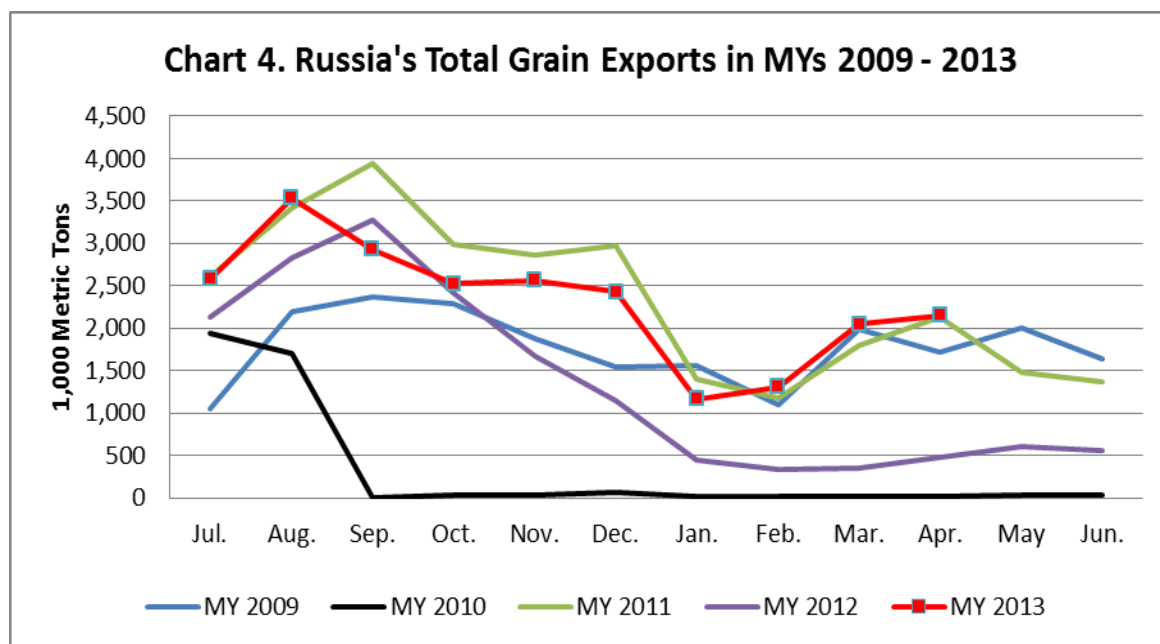
The overall financing of spring field works is lagging behind the farmers’ needs and last year’s level. Many farmers have large delinquent debts which prevent them from borrowing money in commercial markets, and government support has been decreasing (for more information see “Policy” section of this report).

### **Trade**

The FAS/Moscow grain export forecast for MY 2014/15 remains unchanged at 24.0 MMT. This forecast includes 18.0 MMT of wheat (0.3 MMT less than in MY 2013/14), 2.5 MMT of barley (same as in MY 2013/14), and 3.0 MMT of corn, (0.8 MMT less than the estimated exports in MY 2013/14). The export forecast for other grain and pulses in MY 2014/15 is 0.8 MMT.

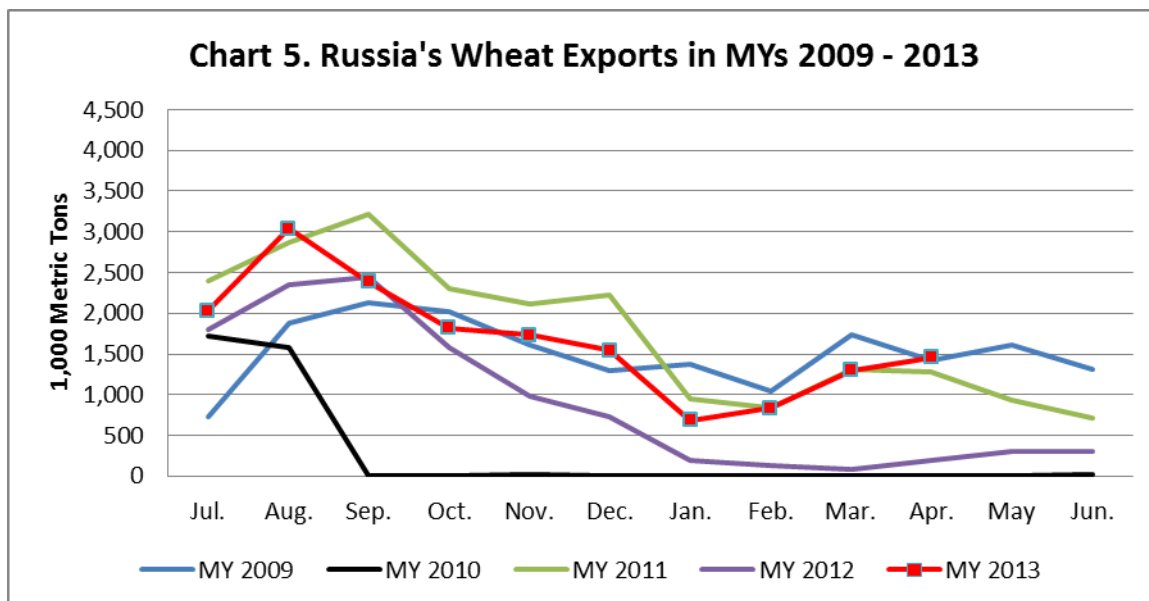
<sup>1</sup> <http://agronews.ru/news/detail/133388/>

The estimate for grain exports in MY 2013/14 is raised to 25.1 MMT. From July 2013 through April 2014, Russia exported 22.8 MMT of grain (16.8 MMT of wheat, 3.5 MMT of corn, 2.3 MMT of barley, and approximately 0.2 MMT of rice and rye), and 0.3 MMT of pulses and wheat flour in grain equivalent to make the total of 23.2 MMT, which is 54 percent more than in the same period last year. These are the second highest grain exports in Russia ever during a July-April time period, only surpassed by exports in MY 2011/12. Following the typical seasonal winter slowdown in exports in January 2014, by February 2014 Russia's exports began rising again and in April Russia's exports reached 2.2 MMT of grain (including flour in grain equivalent and pulses). The expansion of exports in February – April 2014 was driven in part by the depreciation of the ruble to the U.S. dollar, which made Russian exports more competitive.



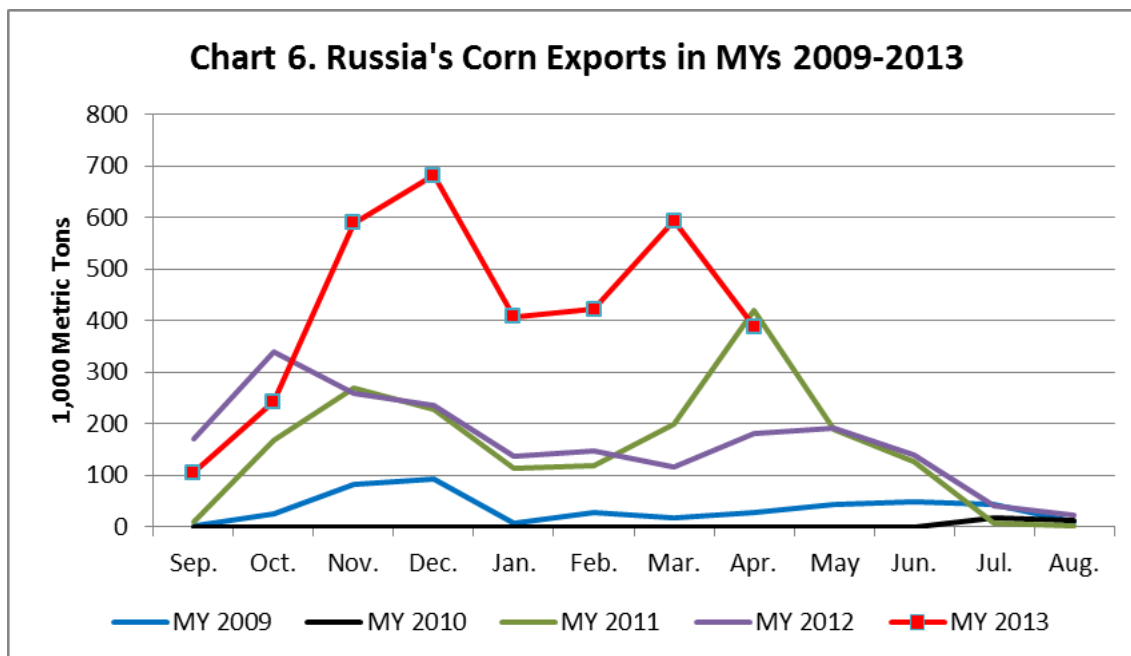
Source: Russian State Customs Data

For wheat, from July 2013 through April 2014 Russia exported 16.97 MMT of wheat and wheat flour, including 134,000 MT of wheat flour in grain equivalent.



Source: Russian State Customs Data

From July 2013 through April 2014 Russia exported 2.34 MMT of barley (including 7,000 MT of malt in grain equivalent). Corn exports decreased in April from March 2014 by 35 percent to 388,000 MT. From September 2013 through April 2014 Russia exported 3.43 MMT of corn.

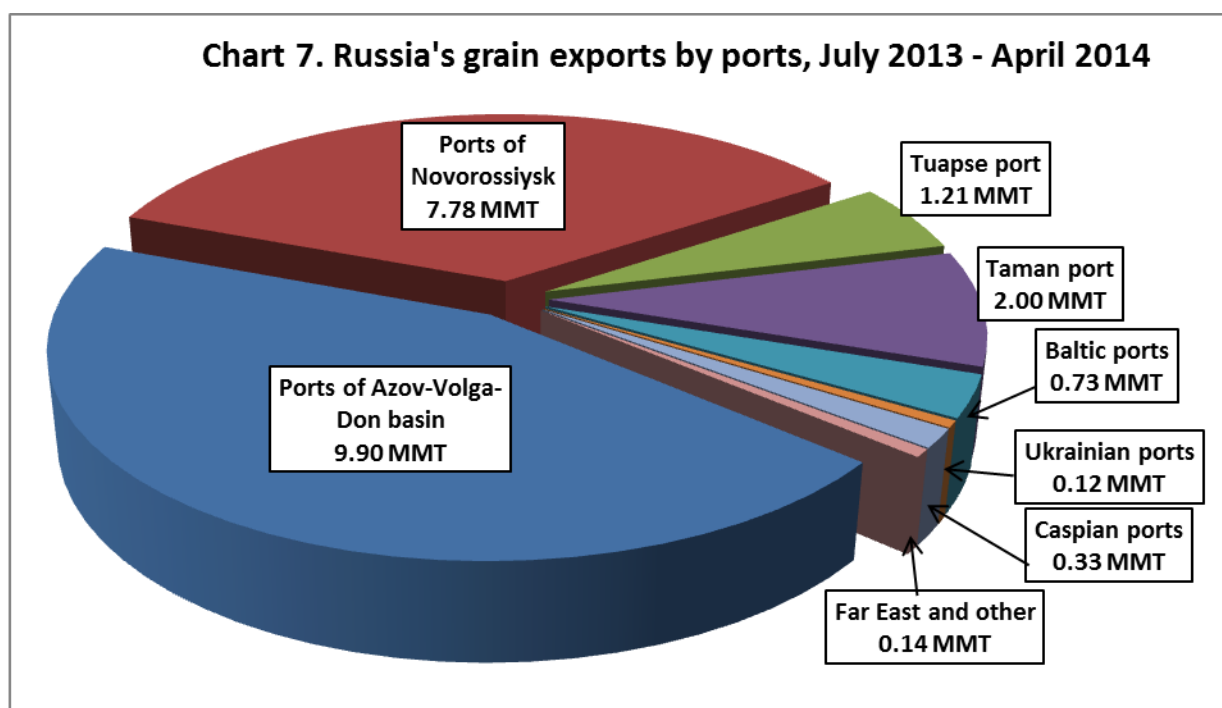


Source: Russian State Customs Data

Nearly 97 percent of Russian grain (not including pulses or flour) is exported from sea ports (deep water and shallow water ports), with only about 3 percent of grain exported fully by rail (almost all of which is shipped to Azerbaijan). From July 2013 through April 2014, Russian exporters shipped 22.1 MMT of grain out of various ports. Shallow water ports of the Azov- Volga-Don basin

accounted for 43.1 percent of exported Russian grain, while the deep water Black sea ports of Novorossiysk, Tuapse and Taman accounted for 33.9 percent, 5.3 percent, and 8.7 percent of Russia's grain for exports, respectively. Exports of Russian grain from Baltic ports were only 3.4 percent of Russia's total grain exports, with the share of Ukrainian Black Sea ports, Caspian Sea ports, and Russian Far East ports being less than 0.5 percent, 1.4 percent, and less than 0.1 percent respectively (Chart 7).

Almost one-third of exported grain is delivered to ports by rail. Thus, according to company Rusagrotrans (Russia's major railway carrier of grain), in July 2013 – April 2014, the share of rail in delivery of grain to Tuapse port, to Baltic ports, to Ukrainian ports and to the Russian Far East ports was 100 percent. To Novorossiysk port, 53 percent was delivered by rail and 47 percent by truck. To the port of Taman, 100 percent of deliveries were by truck, and nearly all of deliveries to ports of the Azov-Volga-Don basin (95 percent) and to Caspian sea ports (97 percent) were also by truck.



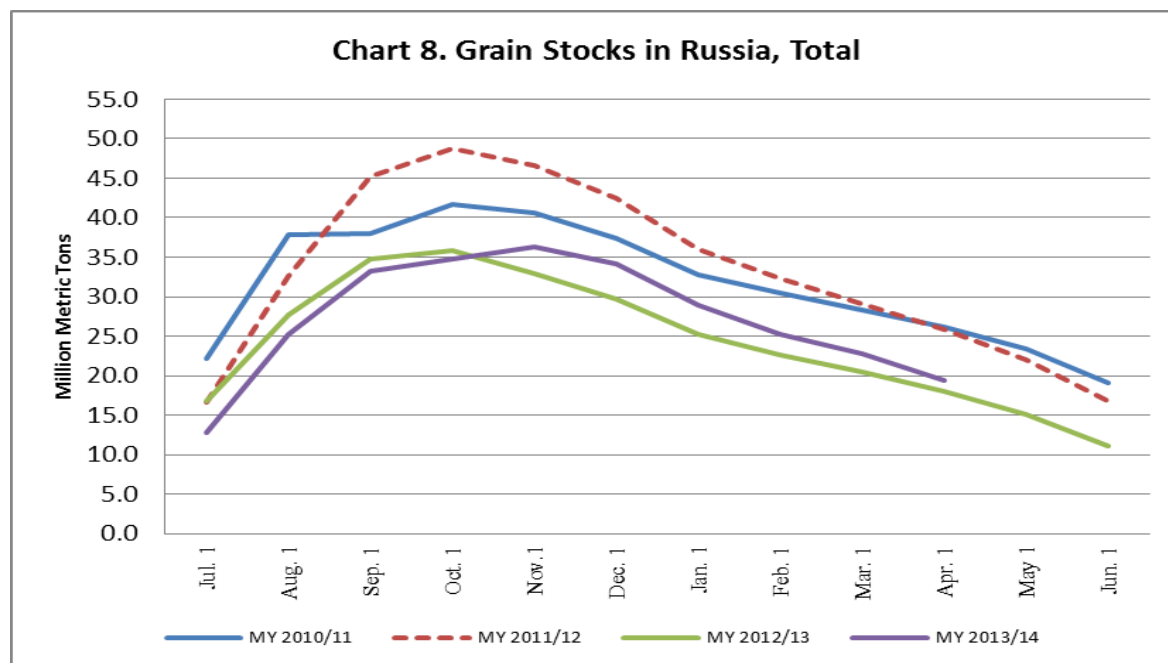
Source: Rusagrotrans

FAS/Moscow forecasts Russian imports of all grain in MY 2014/15 at 1.6 MMT, including 1.0 MMT of wheat, 0.2 MMT of barley, 0.3 MMT of rice, and 0.1 MMT of other grains and pulses. Almost all wheat will be imported from Kazakhstan. FAS/Moscow estimates Russia's imports of grain in MY 2013/14 at 1.7 MMT, including 1.0 MMT of wheat, 0.3 MMT of barley, 0.3 MMT of rice, and 0.1 MMT of other grains and pulses. According to Rusagrotrans, from July 2013 through April 2014 Russia imported by railway from Kazakhstan approximately 0.7 MMT. Grain imports from Kazakhstan to Russia have been decreasing in spring 2014.

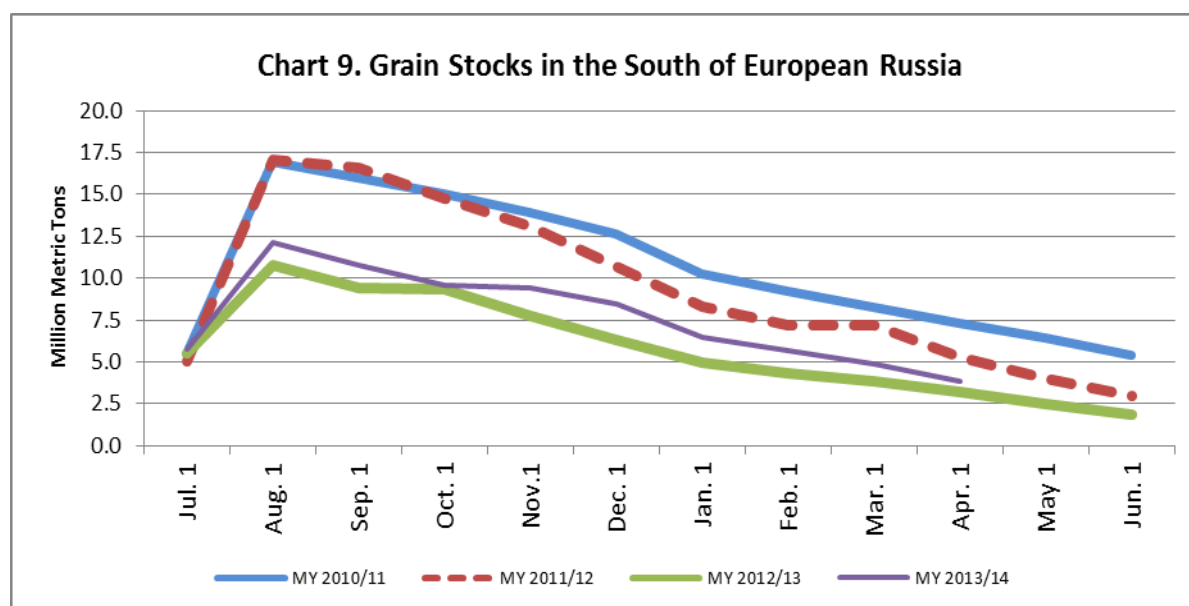
### Stocks

The FAS/Moscow forecast of carry-over stocks of all grains by the end of MY 2014/15 is increased to 9.2 MMT from the 8.3 MMT estimated carry-in stocks on the beginning of MY 2014/15. By

April 1, 2014 (the most recent data available from Russian State Statistical Service - Rosstat), Russian grain stocks decreased to 19.4 MMT, the second lowest level in the last 4 years. Due to continued strong exports, grain stocks in the South and North Caucasus federal districts (the major grain exporting districts) were close to the lowest point in the last 4 years.



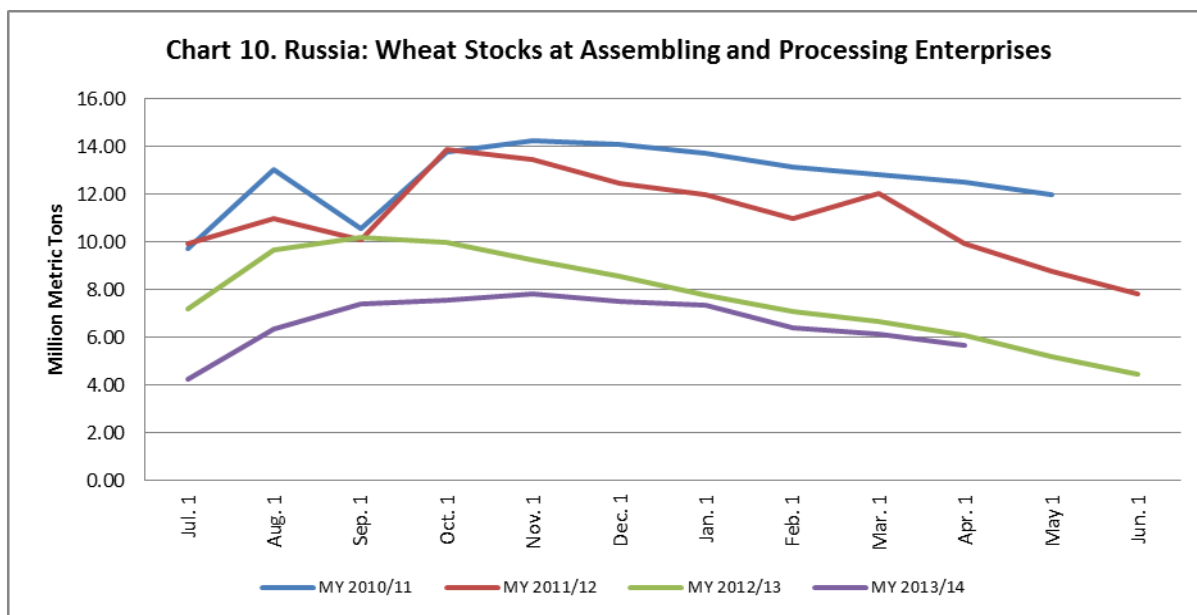
Source: Rosstat



Source: Rosstat

Due to the steady demand for wheat from exporters, wheat stocks at the assembling and processing enterprises was at the lowest in the last 4 years.





Source: Rosstat

## Policy

Financing of crop producers in 2014 is lagging behind last year. As of mid-May 2014, farmers were able to borrow only 75 billion rubles (\$2 billion) for spring sowing and spring field works, which is 11 percent less than last year. The State Rosselkhozbank lent farmers 58.1 billion rubles, which is 7.2 percent less than last year, and the state owned Sberbank issued 16.9 billion rubles loans to farmers, which is 23.6 percent less than on the same date last year. The banks are worried by farmers' high indebtedness and the growth of delinquent loans. As a result the banks increased interest rates, tighten requirements for collateral, and extended the time for consideration of applications. Many farmers do not have liquid collateral and cannot obtain loans secured by future harvests and the Ministry of Agriculture does not have any mechanisms to influence bank policies, and can only recommend them to be more attentive to farmers' needs. Thus, at the meeting held in the Ministry of Agriculture on the current financing of agricultural spring works in mid-May 2014, the Deputy Minister of Agriculture Dmitriy Yuriev called on banks to decrease requirements for collaterals and to decrease interest rates<sup>2</sup>.

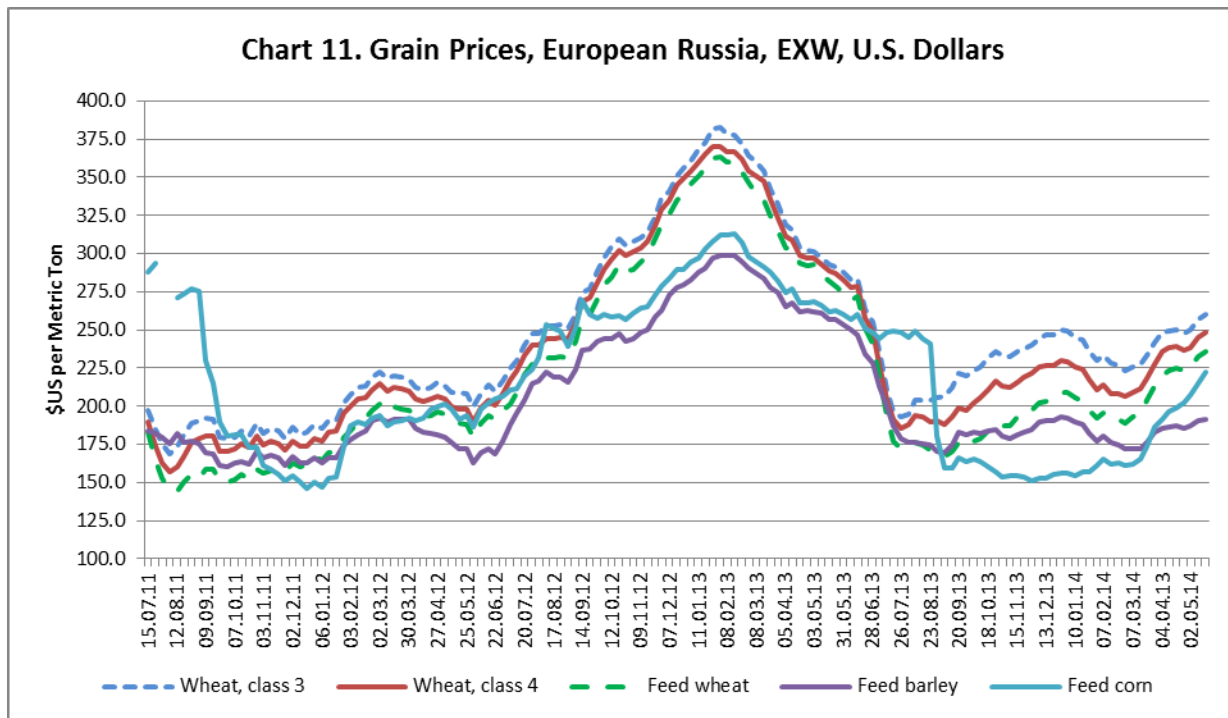
At the end of March, 2014, the Ministry of Agriculture announced target prices for intervention grain purchases for the 2014 grain crop. The Ministers' Order No. 94 of March 26, 2014, was posted on the Ministry of Agriculture's web-site on March 31, 2014 (<http://www.mcx.ru/>). The target prices for 2014 crop wheat, food rye and fodder barley are 2-5 percent higher than those approved a year ago for the 2013 crop. The target price for corn is the same as for crop 2013. Thus, the Government will begin buying grain of 2014 crop from farmers when/if market prices of milling wheat Class 3 falls to 6,750 rubles (\$193) per MT (6,550 rubles in 2013), wheat Class 4 falls to 6,450 rubles (\$184) per MT (6,300 rubles in 2013), and the market price of feed wheat Class 5 to 6,100 rubles (\$174) per MT (5,950 rubles in 2013) in the Central, North-Western, Volga Valley, North Caucasus and Southern federal districts. For the Urals, Siberia and the Far East the intervention purchases will begin when market prices fall below 6,400 rubles (\$183) per MT (6,250 rubles in 2013), 6,200

<sup>2</sup> <http://www.mcx.ru/news/news/show/24125.355.htm>

rubles (\$177) per MT (6,050 rubles in 2013) and 6,000 rubles (\$171) per MT (5,700 rubles in 2013), respectively. The minimum price for food rye is set at 5,100 rubles (\$146) (4,950 rubles in 2013), for fodder barley – at 5,150 rubles (\$147) (5,050 rubles in 2013), and for corn, Class 3 – 5,600 rubles (\$160) (the same as in 2013) per MT for all federal districts.

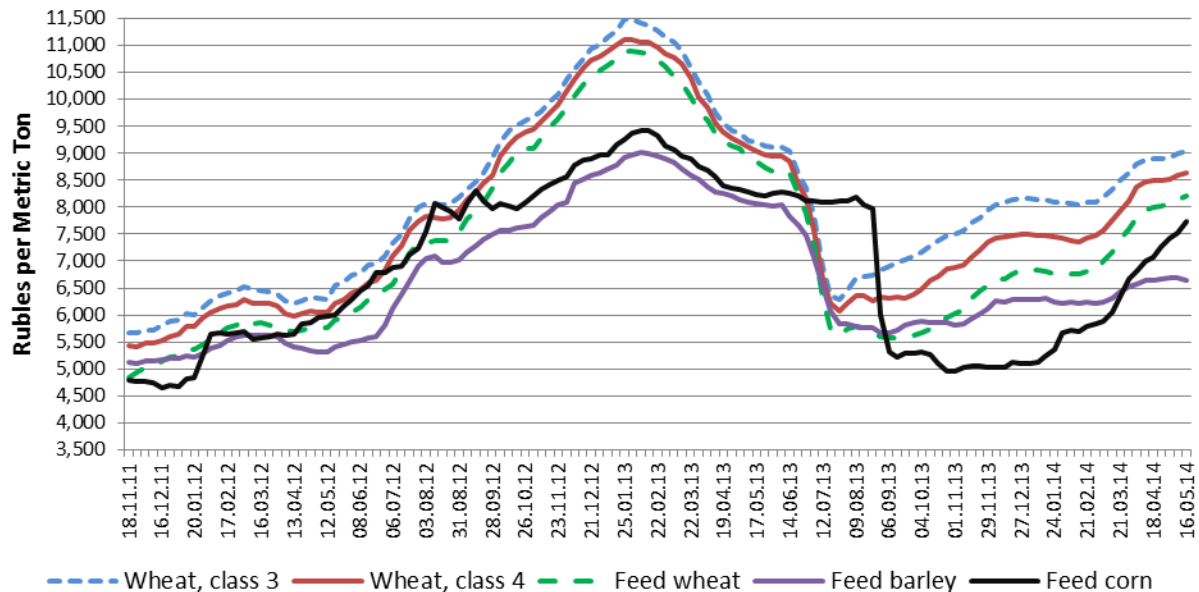
## Marketing

The rise of grain prices in rubles has been sharper than in U.S. dollars because of the depreciation of the ruble in 2014. Overall prices have been rising as a result of shrinking stocks and strong exports.



Source: ProZerno

**Chart 12. Grain Prices, European Russia, EXW, Rubles**



Source: ProZerno

## Production, Supply and Demand Data

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	23,359	23,750	24,000
Beginning Stocks	10,899	10,899	4,952	4,952	6,043	5,743
Production	37,720	37,720	52,091	52,091	52,000	52,000
MY Imports	1,172	1,172	1,200	1,000	1,200	1,000
TY Imports	1,172	1,172	1,200	1,000	1,200	1,000
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	49,791	49,791	58,243	58,043	59,243	58,743
MY Exports	11,289	11,289	18,200	18,300	19,000	18,000
TY Exports	11,289	11,289	18,200	18,300	19,000	18,000
Feed and Residual	11,900	11,900	12,500	12,500	12,000	13,000
FSI Consumption	21,650	21,650	21,500	21,500	21,500	21,500
Total Consumption	33,550	33,550	34,000	34,000	33,500	34,500
Ending Stocks	4,952	4,952	6,043	5,743	6,743	6,243
Total Distribution	49,791	49,791	58,243	58,043	59,243	58,743
1000 HA, 1000 MT, MT/HA						

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	8,015	8,200	7,800
Beginning Stocks	848	848	726	726	1,115	1,115
Production	13,952	13,952	15,389	15,389	16,000	16,000
MY Imports	262	262	300	300	200	200

1000 HA, 1000 MT, MT/HA
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1000 HA, 1000 MT, MT/HA1000 HA, 1000 MT, MT/HA

Oats 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	2,856	2,850	3,007	3,007	3,000	3,100
Beginning Stocks	485	485	203	202	225	234
Production	4,027	4,027	4,932	4,932	5,000	5,000
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	4,512	4,512	5,135	5,134	5,225	5,234
MY Exports	9	10	10	0	10	0
TY Exports	4	10	10	0	10	0
Feed and Residual	2,900	2,900	3,400	3,400	3,500	3,500
FSI Consumption	1,400	1,400	1,500	1,500	1,500	1,500
Total Consumption	4,300	4,300	4,900	4,900	5,000	5,000
Ending Stocks	203	202	225	234	215	234
Total Distribution	4,512	4,512	5,135	5,134	5,225	5,234

1000 HA, 1000 MT, MT/HA

Rice, Milled Russia	2012/2013		2013/2014		2014/2015	
	Market Year Begin: Jan 2013		Market Year Begin: Jan 2014		Market Year Begin: Jan 2015	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	192	185	188	185	195	195
Beginning Stocks	27	28	91	22	89	60
Milled Production	684	684	608	608	650	650
Rough Production	1,052	1,052	935	935	1,000	1,000
Milling Rate (.9999)	6,500	6,500	6,500	6,500	6,500	6,500
MY Imports	240	200	250	250	250	250
TY Imports	240	200	250	250	250	250
TY Imp. from U.S.	7	20	0	20	0	20
Total Supply	951	912	949	880	989	960
MY Exports	140	210	140	120	140	200
TY Exports	140	210	140	120	140	200
Consumption and Residual	720	680	720	700	750	700
Ending Stocks	91	22	89	60	99	60
Total Distribution	951	912	949	880	989	960

1000 HA, 1000 MT, MT/HA

Millet 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	337	335	355	355	400	350
Beginning Stocks	0	0	0	0	0	0
Production	334	334	419	419	500	380
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	334	334	419	419	500	380
MY Exports	0	0	0	0	0	0
TY Exports	0	0	0	0	0	0
Feed and Residual	100	100	200	200	300	160
FSI Consumption	234	234	219	219	200	220
Total Consumption	334	334	419	419	500	380

