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Grain and Feed November Update

Report Categories:

Grain and Feed

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Report Highlights:

With the wheat harvesting ending in the Urals and Siberia, and continued poor yields from these areas, FAS/Moscow has lowered the estimate for wheat production in Russia by 1 million metric tons (MMT) to 39 MMT, compared to over 56 MMT in 2011. As a result the total grain crop forecast is also lowered by 1 MMT to 71 MMT. The forecast for the total crop also includes 14.0 MMT of barley, 7.2 MMT of corn, and 10.5 MMT of other grains and pulses, such as rye, oats, rice, millet, buckwheat, peas, chick peas, and beans. Grain exports slowed in October due to increasing domestic grain (especially wheat) prices, and are expected to drop sharply in November. Despite this slowdown, FAS/Moscow increased the wheat export estimate for MY 2012/13 by 2 MMT to 10 MMT (compared to 22 MMT in 2011/12) as July-October exports were extremely large and sales have continued. Export forecasts for barley and corn remain at 1.5 MMT each. Grain stocks in Russia are low and as a result domestic grain prices continue to rise. On October 23rd the government began selling grain from the State Intervention Fund to flour and feed millers, and plans to sell up to 110,000 MT of wheat every week.

Production:

Crop 2012

According to the Russian Ministry of Agriculture, on October 23rd Russian farmers harvested 72 million metric tons (MMT) of grain (in bunker weight) from 98 percent of planned harvest area, including 39.6 MMT of wheat from 99 percent of planned wheat harvest area. Compared to 2011, the total grain crop decreased by 23 percent and the wheat crop decreased by 33 percent. The wheat crops in the Urals and in Siberia were hit the hardest by continued dryness throughout the growing season. As of October 23rd, farmers in the Urals finished wheat harvesting and harvested 2.3 MMT in bunker weight, less than half of last year. In Siberia, farmers harvested 97 percent of planned area, and their crop in bunker weight is less than 5.9 MMT, the lowest since the 1960s.

Wheat harvesting has almost completely finished throughout Russia, and the remaining 1 percent of planned harvest area is unlikely to add more than a few hundred thousand tons to the already reported 39.6 MMT in bunker weight. However, very high domestic wheat prices have stimulated farmers to maximize their collection of grain from their fields, and this could add additional wheat to the Russian Ministry of Agriculture's final wheat crop report. In addition, as the summer of 2012 was very dry in European Russia, the difference between clean weight and bunker weight of grain may be considerably less than in typical years. Given these considerations, FAS/Moscow decreased its wheat crop forecast only by 1 MMT from 40 MMT to 39 MMT. The total grain crop forecast is subsequently lowered by 1 MMT and includes 14.0 MMT of barley, 7.2 MMT of corn, and 10.5 MMT of other grains and pulses, such as rye, oats, rice, millet, buckwheat, peas, chick peas, and beans.

Winter Grain Sowing

High prices have stimulated farmers to increase area sown to winter crops, including winter wheat. Rains and warm weather in most of European Russia allowed sowing in normal conditions, and with adequate soil moisture content. According to Russian officials, area sown to winter crops in the fall 2012 will be higher than last year. As of October 23rd, winter crops were sown on 15.5 million hectares, or 92.3 percent of the 16.7 million hectares total planned winter crops area. On the same date last year winter crops were sown only on 14.9 million hectares. If realized, these 16.7 million hectares of planted area would be a considerable increase from what was planted in 2011. The Russian Hydro-meteorological Center reports that both the weather and soil conditions for winter crops have been normal and favorable so far in most of Russian provinces.

In the Central Federal District farmers finished winter sowing by October 23rd. The sown area is 3.7 million hectares, which is nearly identical to last year. In the Southern and the North Caucasus Federal Districts farmers are finishing sowing winter crops. As of October 23rd, winter crops were sown on 5.25 million hectares in the Southern Federal District and on 1.88 million hectares in the North Caucasus Federal District, compared to 4.84 million hectares and 1.51 million hectares respectively on the same date last year. In the Volga Valley Federal District winter crops were sown on 4.35 million hectares or 85.8 percent of the planned winter crops area, and this is 141,300 hectares less than on the same date last year. In the Urals and Siberia, which are very minor winter crop areas, less winter crops were sown than last year: 41,700 hectares in Ural (compared to 43,600 hectares last year), and 181,900 hectares in Siberia (compared to 211,600 hectares last year).

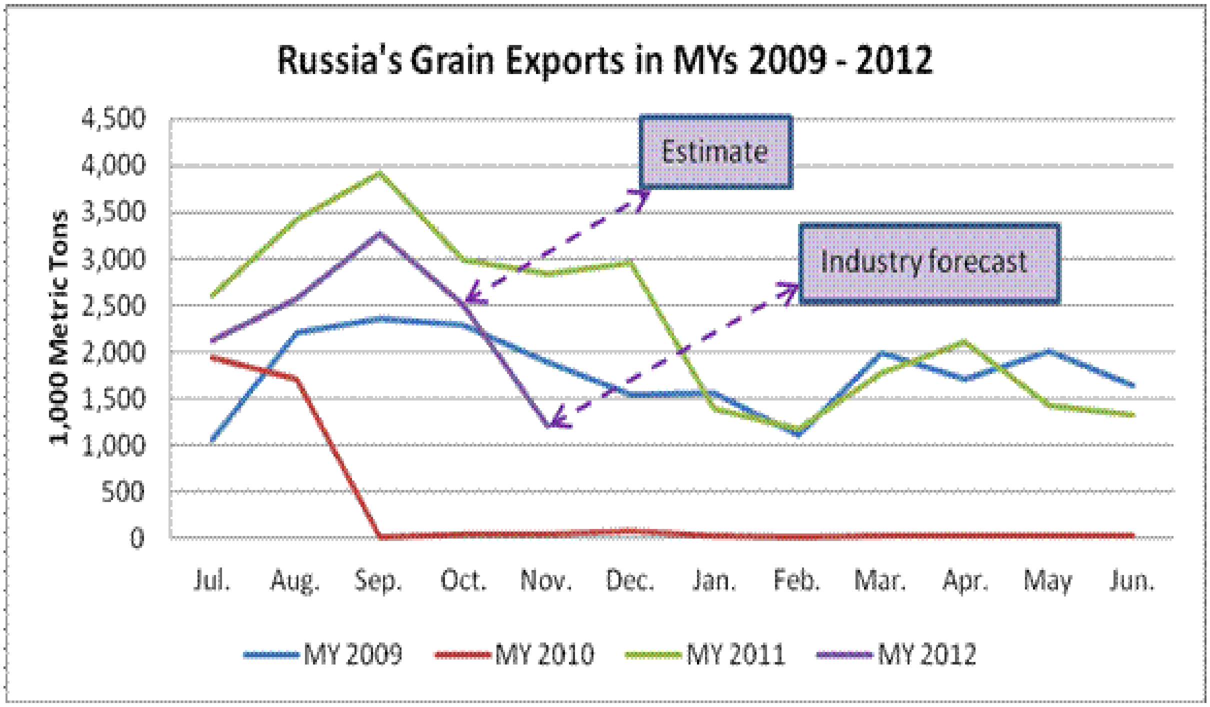
Trade:

Official data on Russian grain exports in October has not been published yet, but industry analysts report that exports have slowed down compared to September. Media sources refer to the Ministry of Agriculture's data that in the period October 1st through October 17th Russia exported 1.35 MMT, including 934,900 metric tons (MT) of wheat, 214,900 MT of barley, 153,100 MT of corn, and 45,800 MT of other grains and pulses. Assuming that in the second half of October exports will continue at the same pace as in the first half, Russia's total grain exports in October are unlikely to exceed 2.5 MMT (compared to 3.26 MMT in September), and wheat exports may not exceed 1.7 MMT. Based on these calculations, the total grain exports in July – October may reach 10.5 MMT, including 8.0 MMT of wheat. Some industry analysts report that exports slowed down further in the second half of October, and the total exports in July – October will be only 10.2 – 10.3 MMT. Russian Grain Union experts forecast that in November grain exports may decrease to only 1.0 – 1.2 MMT, and almost completely cease in December 2012 – February 2013 to be renewed only in March 2013. However, at the last Egyptian GASC tender held October 31st, Russia sold another 120,000 MT of wheat delivery December 21st-31st. It shows that some Russian traders might have already accumulated wheat for continued exports in November and December and despite increased domestic prices may export another 2.0 MMT in November 2012 – June 2013 to make the total 10 MMT wheat exports in MY 2012/13.

The company Rusagrotrans, a major Russian railroad shipper of grain, also reports decreased demand for grain rail cars. Despite the reorientation of grain shipments from export to supplying domestic needs, Rusagrotrans reports that 4,000 grain rail cars are either lying unused or being repurposed. According to industry analysts, the railway shipping companies already began switching from transporting grain to transporting other cargoes, such as construction materials.

FAS/Moscow forecasts Russian grain exports in MY 2012/13 at 13.7 MMT, including 10.0 MMT of wheat, 1.5 MMT of barley, 1.5 MMT of corn, and 0.7 MMT of other grains and pulses. Russia's total grain imports forecast is 1.8 MMT, including 1.0 MMT of wheat, 0.4 MMT of barley (malting quality), 0.1 MMT of corn, and 0.3 MMT of other grains and pulses.

Graph 1

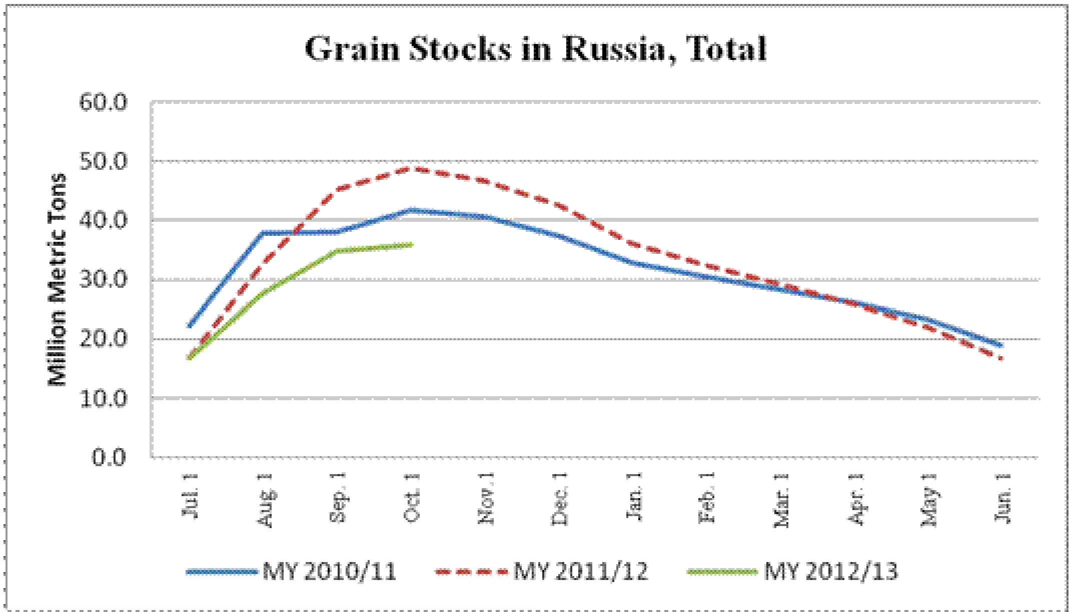


Source: State Customs Data and Industry sources
Note: in August 2010 exports dropped because of grain export ban that was imposed on August 15, 2010, and continued until July 1, 2011. From August 15, 2010 through June 30, 2011 Russia exported only humanitarian grain and, beginning February 2011 – wheat flour.

Stocks:

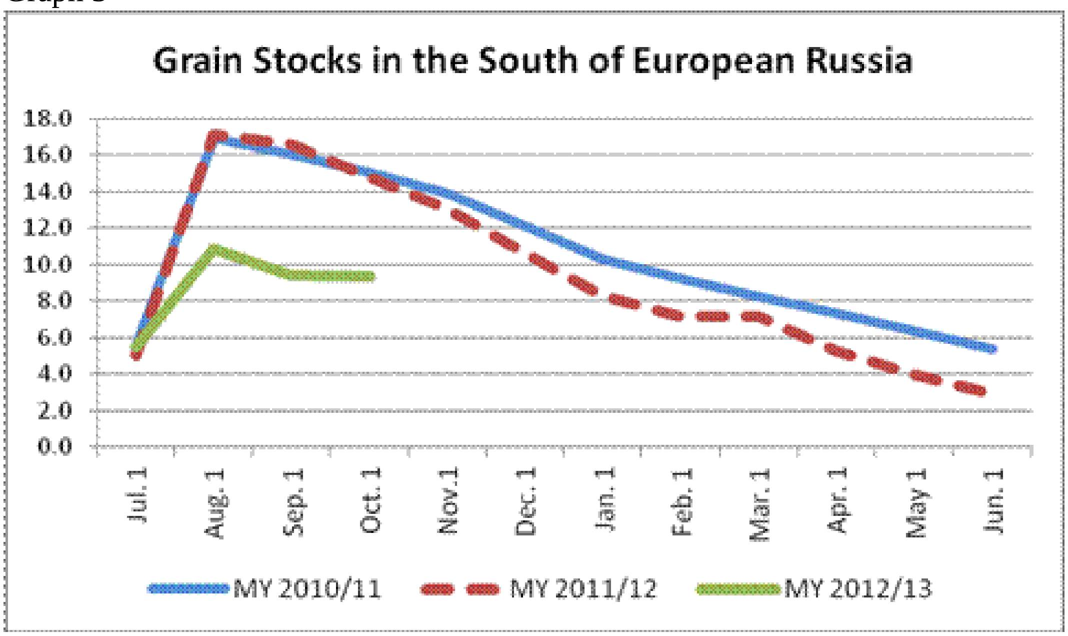
According to Russian State Statistical Service (Rosstat), as of October 1st, Russian grain stocks increased compared to September 1st by 3 percent to 35.79 MMT. However, these stocks were 27 percent less than on October 1, 2011, and the gap between monthly stock levels in 2012 and 2011 actually increased. Grain stocks in the Southern Federal District increased from last month by only 1 percent, and this increase may be attributed to rice and corn crop harvested in September, while in the North Caucasus Federal District, where farmers do not produce these crops, stocks dropped by 9 percent from September 1, 2012. On October 1st, 2012, the total grain stocks in the Southern and North Caucasus Federal Districts, Russia's major exporting districts, were already at 9.3 MMT, a level which in the previous two years stocks fell to only in January.

Graph 2



Source: Rosstat

Graph 3



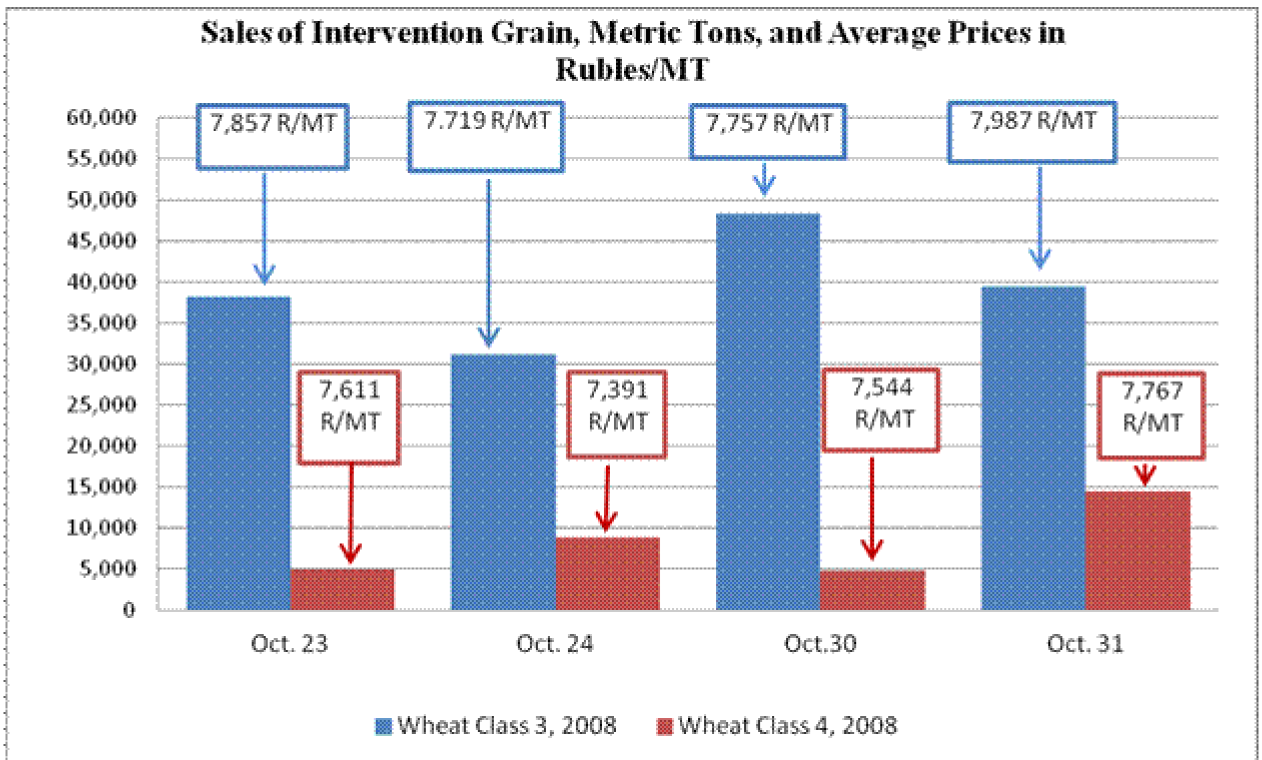
Source: Rosstat

Policy:

The Russian Government started selling grain from the State Intervention Fund on October 23rd [Note for more information on the intervention plan see GAIN report Russia to Begin Selling Grain from the State Grain Intervention Fund _ Moscow _ Russian Federation _ 10/17/2012]. In course of the first four days of interventions (October 23rd, 24th, 30th and 31st) they sold 189,924 MT of wheat or 86 percent of the 220,000 MT offered for sale for these four days. This includes 157,139 MT of Class 3 milling wheat and 32,785 MT of Class 4 milling wheat. The starting price (minimum price) for milling wheat Class 3 is 7,600 rubles ($245) per MT, and 7,200 rubles ($232) per MT for Class 3 milling wheat. The volumes of wheat sold decreased on the second day of sales, but recovered on subsequent day of interventions. The change in volume sold by day was clearly influenced by the changes in pricing of the intervention grain (Chart 4). The average price of 1 MT of Class 3 milling wheat dropped from 7,857 rubles ($254) on the first day to 7,719 ($248) rubles on the second day, but then recovered and increased to 7,987 rubles ($255) on the fourth day of interventions.

Industry analysts report that these interventions may quiet wheat prices in Ural and Siberia but are unlikely to influence prices in the European Russia. However, at the end of October the Ministry of Agriculture ordered intervention sales extended to include European Russia. Beginning November 6th wheat will be sold from all elevators across the country that keep intervention grain, including those located in European Russia, to flour and feed millers throughout Russia. Additionally, along with wheat from the 2008 crop, wheat from the 2005 and 2009 crops will also now be included in intervention sales. The reason for this decision might be the relatively weak demand in Urals and Siberia for this intervention grain, and the increasing complaints of flour millers in European Russia. This extension of intervention wheat sales to European Russia may be atemporary solution by the Russian Government against increasing milling wheat prices.

Chart 4

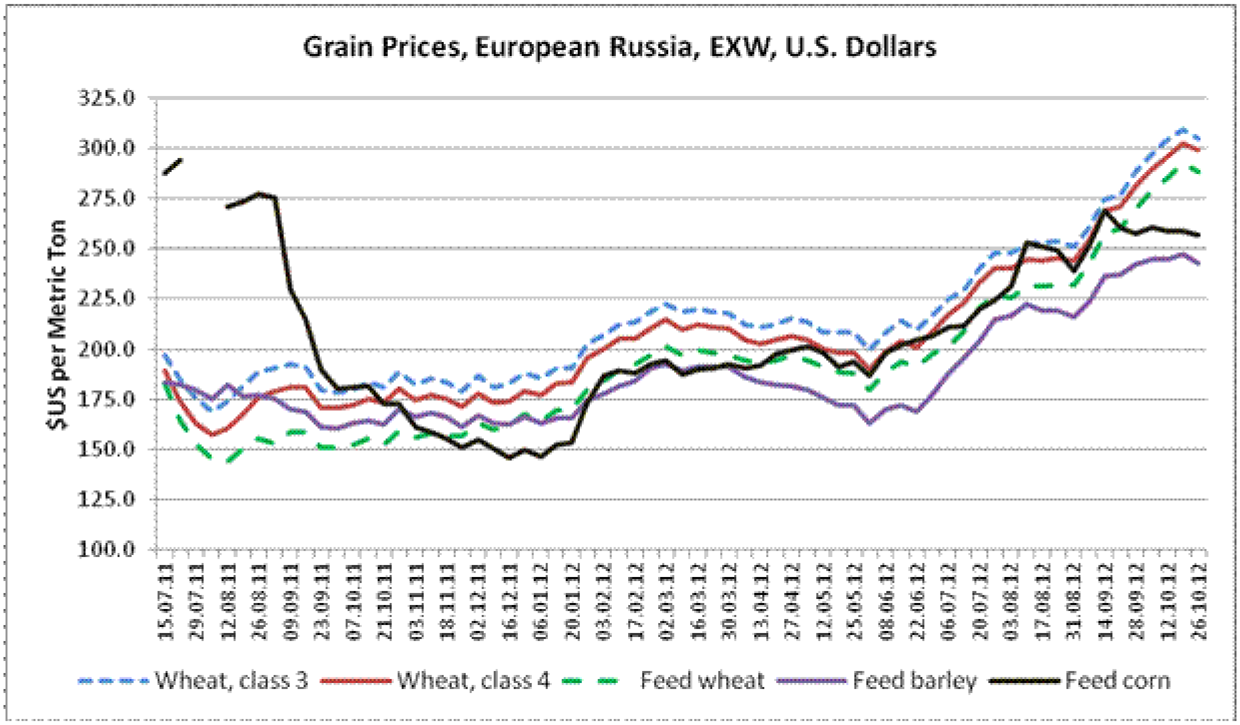


Source: www.micex.ru

Marketing:

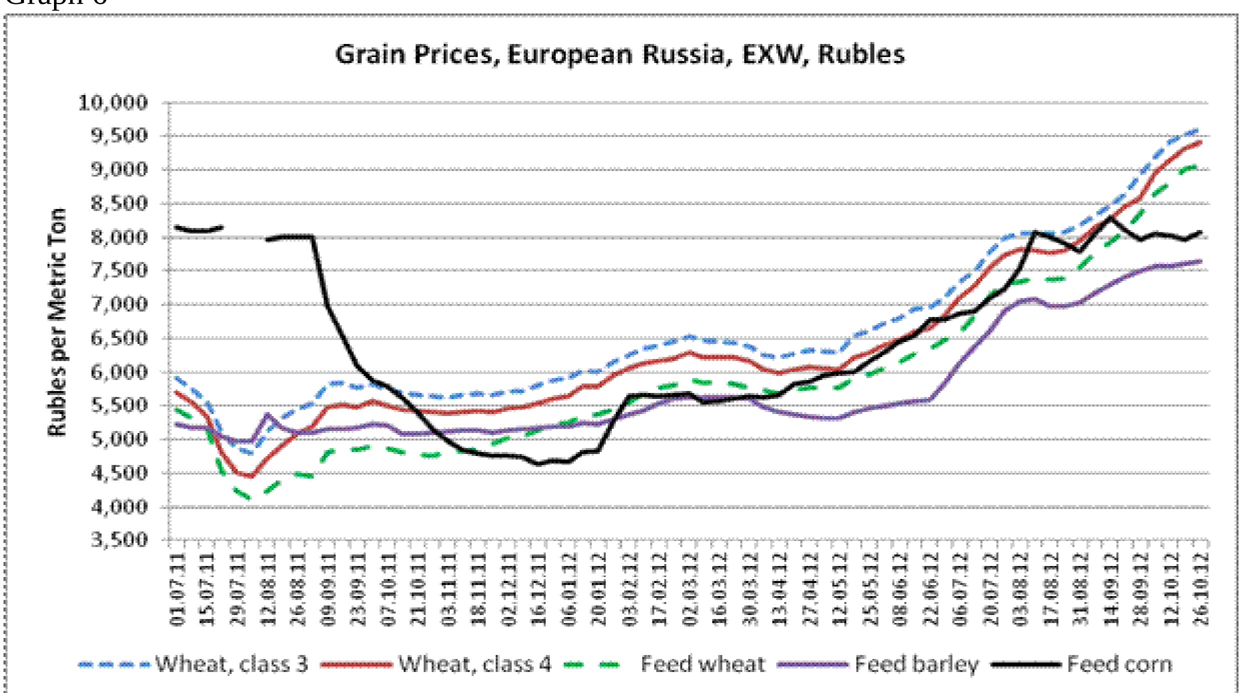
Domestic grain prices have continued rising in the second half of October, but the pace has slowed down (Charts 6). Milling wheat prices in Ural and Siberia equaled those in the Central Russia, but still were below wheat prices in the Southern European Russia (Chart 7).

Chart 5



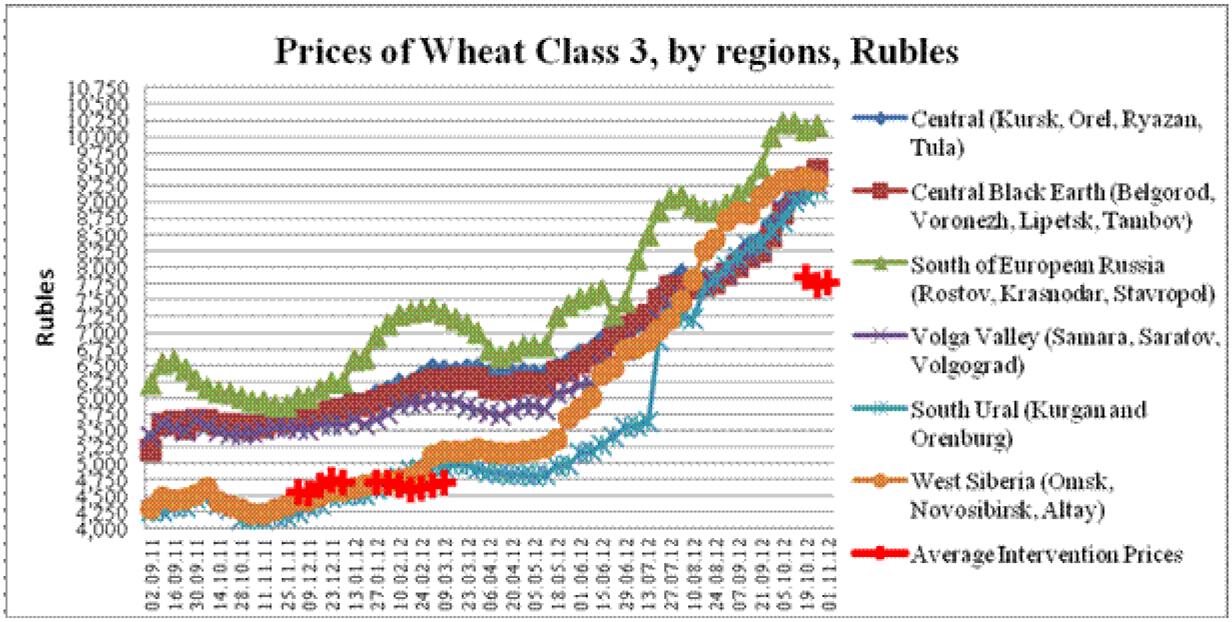
Source: ProZerno

Graph 6



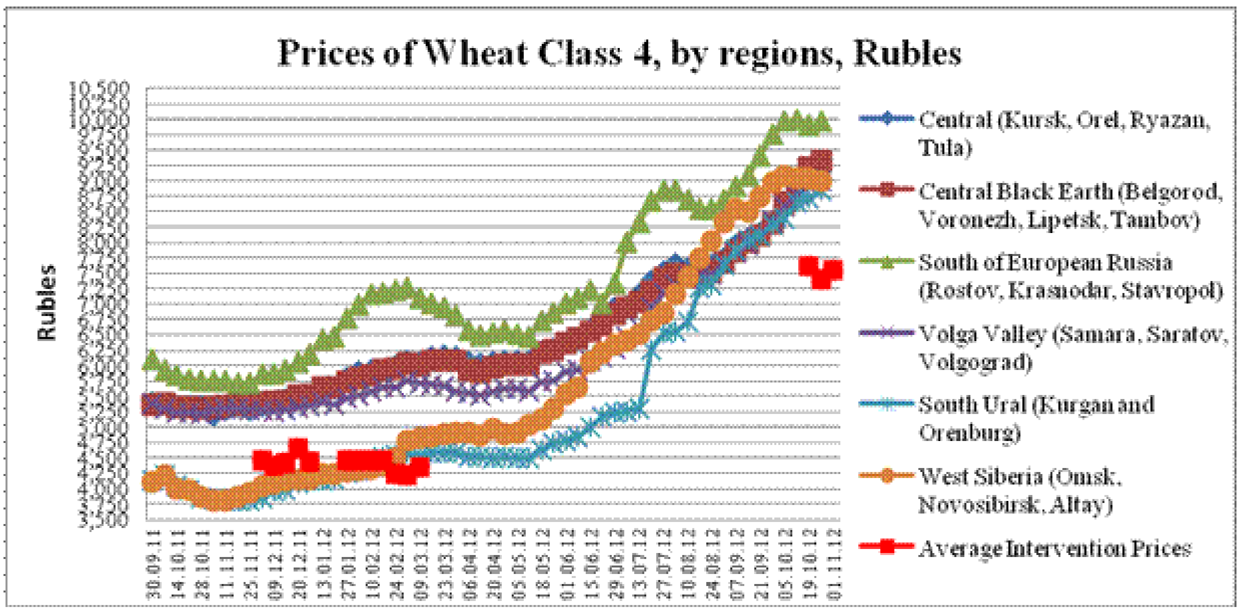
Source: ProZerno

Chart 7



Source: ProZerno; data on intervention prices are from www.micex.ru

Chart 8



Source: ProZerno; data on the intervention prices are from www.micex.ru

Production, Supply and Demand Data Statistics :

Wheat Russia	2010/2011		2011/2012		2012/2013	
	Market Year Begin: Jul 2010		Market Year Begin: Jul 2011		Market Year Begin: Jul 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	21,750	21,750	24,900	24,900	21,800	24,000
Beginning Stocks	14,722	14,257	13,736	13,271	10,438	9,975
Production	41,508	41,508	56,231	56,231	38,000	39,000
MY Imports	89	89	98	100	1,000	1,000
TY Imports	89	89	98	100	1,000	1,000
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	56,319	55,854	70,065	69,602	49,438	49,975
MY Exports	3,983	3,983	21,627	21,627	9,000	10,000
TY Exports	3,983	3,983	21,627	21,627	9,000	10,000
Feed and Residual	16,000	16,000	15,500	15,500	13,000	12,500
FSI Consumption	22,600	22,600	22,500	22,500	22,000	22,000
Total Consumption	38,600	38,600	38,000	38,000	35,000	35,000
Ending Stocks	13,736	13,271	10,438	9,975	5,438	5,475
Total Distribution	56,319	55,854	70,065	69,602	49,438	49,975
1000 HA, 1000 MT, MT/HA						

Barley Russia	2010/2011		2011/2012		2012/2013	
	Market Year Begin: Jul 2010		Market Year Begin: Jul 2011		Market Year Begin: Jul 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	4,970	4,970	7,700	7,700	7,700	8,100
Beginning Stocks	2,395	2,389	1,386	1,380	938	932
Production	8,350	8,350	16,935	16,935	14,000	14,000
MY Imports	408	408	461	461	400	400
TY Imports	411	411	500	500	400	400
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	11,153	11,147	18,782	18,776	15,338	15,332
MY Exports	267	267	3,544	3,544	1,500	1,500
TY Exports	969	969	3,600	3,400	1,500	1,500
Feed and Residual	5,500	5,500	9,800	9,800	8,500	8,500
FSI Consumption	4,000	4,000	4,500	4,500	4,400	4,400
Total Consumption	9,500	9,500	14,300	14,300	12,900	12,900
Ending Stocks	1,386	1,380	938	932	938	932
Total Distribution	11,153	11,147	18,782	18,776	15,338	15,332
1000 HA, 1000 MT, MT/HA						

Corn Russia	2010/2011		2011/2012		2012/2013	
	Market Year Begin: Oct 2010		Market Year Begin: Oct 2011		Market Year Begin: Oct 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	1,020	1,020	1,550	1,550	1,900	1,900
Beginning Stocks	122	160	72	94	102	124
Production	3,075	3,075	6,680	6,680	7,000	7,200
MY Imports	112	108	50	50	50	100
TY Imports	112	108	50	50	50	100
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	3,309	3,343	6,802	6,824	7,152	7,424
MY Exports	37	49	2,200	2,200	1,500	1,500
TY Exports	37	49	2,200	2,200	1,500	1,500
Feed and Residual	2,800	2,800	3,800	3,800	4,700	5,000
FSI Consumption	400	400	700	700	800	800
Total Consumption	3,200	3,200	4,500	4,500	5,500	5,800
Ending Stocks	72	94	102	124	152	124

Total Distribution	3,309	3,343	6,802	6,824	7,152	7,424
1000 HA, 1000 MT, MT/HA						

Rice, Milled Russia	2010/2011		2011/2012		2012/2013	
	Market Year Begin: Jan 2011		Market Year Begin: Jan 2012		Market Year Begin: Jan 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	201	202	207	207	200	210
Beginning Stocks	55	55	89	89	61	61
Milled Production	690	690	682	682	670	730
Rough Production	1,062	1,062	1,049	1,049	1,031	1,123
Milling Rate (.9999)	6,500	6,500	6,500	6,500	6,500	6,500
MY Imports	176	176	170	170	200	200
TY Imports	176	176	170	170	200	200
TY Imp. from U.S.	3	0	0	0	0	20
Total Supply	921	921	941	941	931	991
MY Exports	142	142	200	200	160	170
TY Exports	142	142	200	200	160	170
Consumption and Residual	690	690	680	680	695	750
Ending Stocks	89	89	61	61	76	71
Total Distribution	921	921	941	941	931	991
1000 HA, 1000 MT, MT/HA						

Rye Russia	2010/2011		2011/2012		2012/2013	
	Market Year Begin: Jul 2010		Market Year Begin: Jul 2011		Market Year Begin: Jul 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	1,380	1,380	1,520	1,520	1,450	1,550
Beginning Stocks	308	360	250	282	131	163
Production	1,642	1,642	2,969	2,969	2,500	2,700
MY Imports	150	150	0	0	0	0
TY Imports	150	150	0	0	0	0
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	2,100	2,152	3,219	3,251	2,631	2,863
MY Exports	0	0	238	238	75	75
TY Exports	21	21	275	230	50	50
Feed and Residual	100	100	200	200	150	150
FSI Consumption	1,750	1,770	2,650	2,650	2,300	2,500
Total Consumption	1,850	1,870	2,850	2,850	2,450	2,650
Ending Stocks	250	282	131	163	106	138
Total Distribution	2,100	2,152	3,219	3,251	2,631	2,863
1000 HA, 1000 MT, MT/HA						

Oats Russia	2010/2011		2011/2012		2012/2013	
	Market Year Begin: Jul 2010		Market Year Begin: Jul 2011		Market Year Begin: Jul 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	2,240	2,240	2,930	2,930	2,800	3,400
Beginning Stocks	397	428	167	194	486	514
Production	3,218	3,218	5,334	5,334	4,000	4,100
MY Imports	4	0	0	0	0	5
TY Imports	4	0	0	0	0	5
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	3,619	3,646	5,501	5,528	4,486	4,619
MY Exports	2	2	15	14	5	5
TY Exports	1	1	15	15	5	5

Feed and Residual	2,050	2,050	3,500	3,500	2,800	3,000
FSI Consumption	1,400	1,400	1,500	1,500	1,500	1,400
Total Consumption	3,450	3,450	5,000	5,000	4,300	4,400
Ending Stocks	167	194	486	514	181	214
Total Distribution	3,619	3,646	5,501	5,528	4,486	4,619
1000 HA, 1000 MT, MT/HA						

Millet Russia	2010/2011		2011/2012		2012/2013	
	Market Year Begin: Jul 2010		Market Year Begin: Jul 2011		Market Year Begin: Jul 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	170	170	630	630	300	400
Beginning Stocks	0	0	0	0	0	0
Production	131	131	878	878	350	400
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	131	131	878	878	350	400
MY Exports	0	0	0	0	0	0
TY Exports	0	0	0	0	0	0
Feed and Residual	5	5	578	578	150	150
FSI Consumption	126	126	300	300	200	250
Total Consumption	131	131	878	878	350	400
Ending Stocks	0	0	0	0	0	0
Total Distribution	131	131	878	878	350	400
1000 HA, 1000 MT, MT/HA						