THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT POLICY

Voluntary - Public

Date: 10/1/2012

GAIN Report Number: RS1258

Russian Federation

Post: Moscow

Grain and Feed October Update

Report Categories:

Grain and Feed

Approved By:

Levin Flake

Prepared By:

Yelena Vassilieva

Report Highlights:

Wheat harvesting in Russia is currently in its concluding stages, and wheat yields in the Urals and Siberia continued to be very poor. As a result, FAS/Moscow has lowered the wheat crop forecast by 1.0 million metric tons (MMT) to 40 MMT, making this the smallest wheat crop since 2003. FAS/Moscow forecasts for production of other grain crops are unchanged from last month with a forecast of 14.0 MMT for barley, 7.2 MMT for corn and 11.0 MMT for other grains and pulses. Because of the smaller wheat crop, the total grain crop forecast is lowered by 1.0 MMT to 72 MMT, compared to 94 MMT for 2011 and 61 MMT in drought-impacted 2010. Despite smaller crop prospects, due to a very strong early season export pace, the grain export forecast remains unchanged at 11.5 MMT, including 8.0 MMT of wheat. From the beginning of July through September 20th, Russia had already exported almost 7.0 MMT of grains and pulses. Exports are expected to slow down significantly in October due to high domestic prices and very tight stocks in exporting regions. This steep slowdown in exports will continue in November through March 2013 due to insufficient exportable supply and seasonal weather-caused logistical problems at Russian ports. With regards to Government export policy, at the end of September, Arkadiy Dvorkovich, Russia's Deputy Prime Minister who covers agriculture, reiterated that Russia is not going to ban grain exports, and if domestic grain prices become "inordinately high" the government would rather use programs to subsidize grain processors and bakers rather than ban exports.

Production:

Crop 2012 Forecast

September rainfalls in Siberia improved soil conditions, but were too late to improve wheat crop yields. The wheat harvest in Russia is concluding with very low yields in the Urals and Siberia, and as a result FAS/Moscow has lowered the wheat crop forecast by 1.0 million metric tons (MMT) to 40.0 MMT, the smallest wheat crop since 2003. FAS/Moscow forecasts of other grain crops are not changed from last month: 14.0 MMT of barley, 7.2 MMT of corn and 11.0 MMT of other grains and pulses. The total grain crop forecast is lowered by 1.0 MMT to 72 MMT, compared to 94 MMT for 2011 and 61 MMT in drought-impacted 2010.

Harvest Progress

According to industry analysts who refer to the operational data of the Russia's Federal Statistical Service (Rosstat), as of September 18, 2012, Russian farmers harvested 62.7 MMT of grain (bunker weight) from 34.2 million hectares, or 76 percent of all planned harvest area. The average yield is 1.83 MT/ha (in 2011 it was 2.37 MT/ha on the same date).

As of September 18^{th}, Russian farmers harvested 36.7 MMT of wheat from 19.8 million hectares, or almost 80 percent of planned harvest area. In the Southern and the North Caucasus federal districts wheat was harvested on 92 percent of the planned harvest area. The average yields of wheat in those, usually the most productive districts, were 2.8 MT/ha and 2.3 MT/ha (bunker weight), while in 2011 wheat yields in these districts were 3.5 MT/ha and 3.8 MT/ha. Only in the Central federal district have wheat yields been higher than last year (2.8 MT/ha compared to 2.5 MT/ha in 2011). Most of wheat area which remains to be harvested is located in Volga Valley, Ural and Siberia (23 percent, 36 percent and 31 percent of planned harvest area respectively), where yields this year are slightly above 1 MT per hectare in bunker weight (1.3MT/ha, 1.1 MT/ha, and 1.0 MT/ha, respectively), compared to 2011 when the average wheat yields in these districts in bunker weight were 1.9 MT/ha, 2.2 MT/ha and 1.6 MT/ha, respectively.

As of September 18, 2012, Russian farmers harvested 13.6 MMT of barley from 82 percent of the expected barley harvested area. The average yield in bunker weight is 1.9 MT/ha (in 2011 the average barley yield was 2.3 MT/ha in bunker weight.)

By September 18, 2012, almost 2.1 MMT of corn was harvested from 23 percent of planned harvest area with the average yield of 4.2 MT/ha. Farmers in the Southern Federal District harvested 42 percent of planned area with the average yields of 4.1 MT/ha, while farmers in the North Caucasus Federal District harvested 13 percent of planned corn area with yields at 4.9 MT/ha. Yields in both districts are almost the same as last year (4.2 MT/ha and 4.8 MT/ha). Farmers in the Central Federal District have only started to harvest corn in the middle of September, and as of September 18 they harvested only 5 percent of corn planned area, and the yields were 5.5 MT/ha. In other federal districts there is almost no corn grown for grain.

Trade:

Russia traders have continued to export massive volumes of grain through mid-September, and this despite the smaller crop, rapidly increasing domestic prices, and tightening grain stocks in the Southern and North Caucasus Federal Districts. According to Customs data, in July – August 2012, Russia exported 4.68 MMT of grain and pulses, including 3.88 MMT of wheat, 0.56 MMT of barley, and 0.24 MMT of other grains and pulses. In September exports have continued at fast pace, and some top officials reported that from July 1st through September 20th Russia had exported 7.0 MMT of grain and pulses. Industry analysts estimate Russia's grain exports in September at between 3.0 and 3.1 MMT, including 2.6 MMT of wheat and 0.35 MMT of barley.

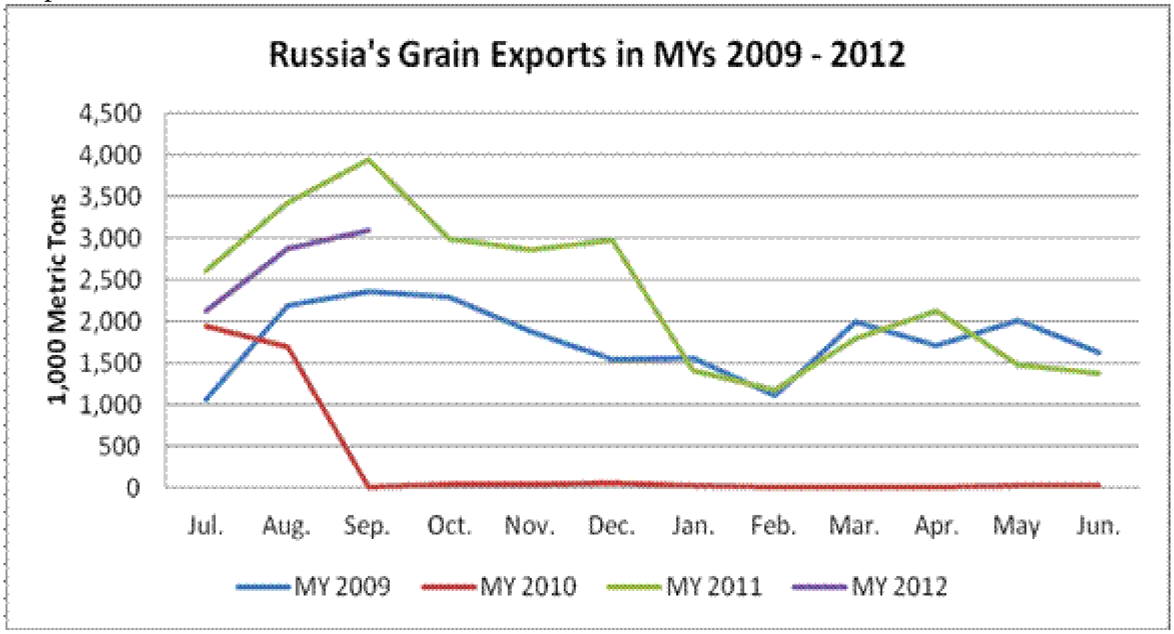
Due to skyrocketing domestic grain prices, Russian wheat is becoming less competitive in world markets, and this is expected to result in a slowdown in wheat exports in October. The price of 4th Class wheat in the port of Novorossiysk, Russia's major deep water port in the Black Sea, reached 11,200 rubles ($355) per MT on September 24th, the highest price in the last 20 years. According to some industry analysts, traders which are ready to pay this very high price for wheat to export either can expect only a very small margin, or will likely have no margin or take a loss in order to fulfill previously concluded export contracts.

This grain export slowdown will be exacerbated in November and through the winter months due to continued tightening stocks and seasonal weather-caused logistical problems at Russian ports.

FAS/Moscow forecasts grain exports in MY 2012 at 11.5 MMT, including 8.0 MMT of wheat, 1.5 MMT of barley, 1.5 MMT of corn, and 0.4 MMT of other grains and pulses.

Given the poor wheat crop in the Urals and Siberia and subsequently rising prices, Russian processors in these districts are increasing imports of wheat from Kazakhstan, with total imports forecast at 1.0 MMT. However, this trade is not reflected in the official Customs data because both Russia and Kazakhstan are members of the Customs Union and the free trade zone. FAS/Moscow forecasts total grain imports at 1.75 MMT, including 1.0 MMT of wheat, 0.4 MMT of barley (primarily malting barley), 0.1 MMT of corn and 0.25 MMT of other grains and pulses.

Graph 1



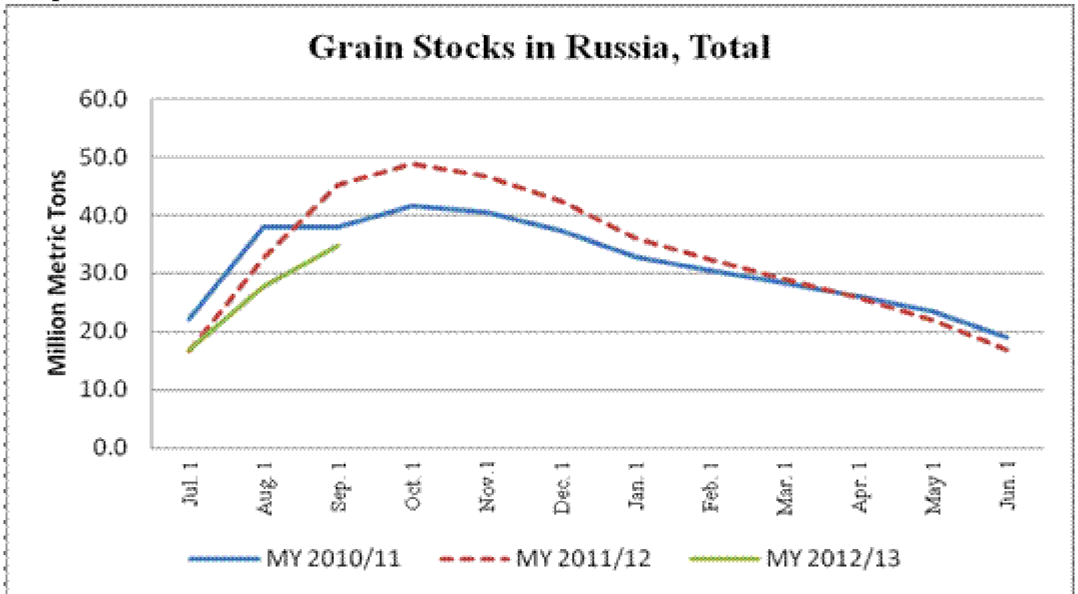
Source: Federal Custom Service

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 grain for humanitarian aid, and beginning February 2011 - wheat flour.

Stocks:

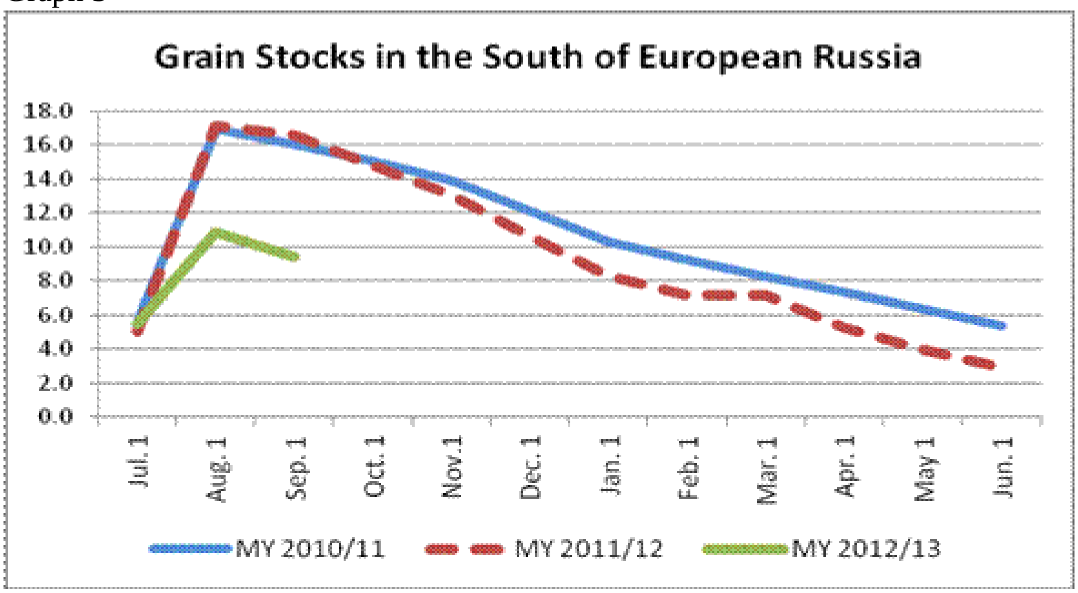
Russia's grain stocks on September 1st were below the levels at this date in 2011, and even below those in the drought-impacted 2010. This is despite the fact that the 2012 grain crop is larger, and harvesting progress faster than in 2010. Rosstat reported that on September 1, 2012, Russia's grain stocks in agricultural, storing and processing enterprises increased from August 1st by 7.0 MMT to 34.7 MMT. These stocks, however, are 24 percent lower than on September 1, 2011, and 11 percent lower than on September 1, 2010. Moreover, grain stocks in the export-oriented provinces of the Southern and North Caucasus federal districts decreased from August 1st 2012 by almost 1.4 MMT, and are nearly half of the levels on September 1st 2011 and 2010!

Graph 2



Source: Rosstat

Graph 3



Source: Rosstat

Policy:

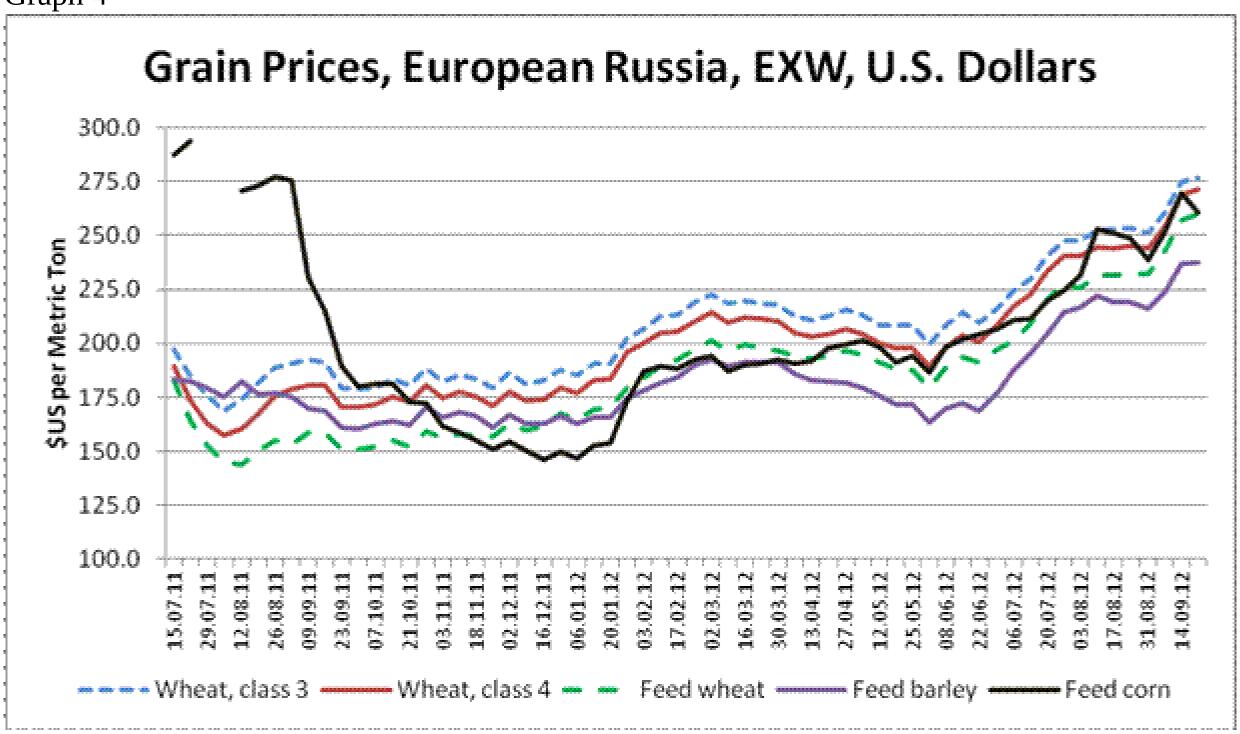
There have been no changes either in domestic or export grain policy in Russia in September. The Russian Ministry of Agriculture is in the process of estimating the negative effect the summer drought had on agricultural producers. Requests from regional authorities for emergency support from the federal budget have tended to have been reduced by the Ministry, and they have referenced rising grain prices which would allow farmers to more than cover the cost of grain production.

Arkadiy Dvorkovich, the Deputy Prime Minister who covers agriculture, responded to rumors on possible export restrictions which have been circulating in mass media in the last week of September and were being fueled by rapidly increasing wheat prices. On September 25-26 he reiterated that Russia will not impose any ban on exports of grain. In order to combat price inflation, if domestic grain prices become "inordinately high" the government would rather use subsidies to grain processors and bakers than ban exports. As for selling grain from the intervention fund, he stated that this possibility may be considered but not before the harvest is finished.

Marketing:

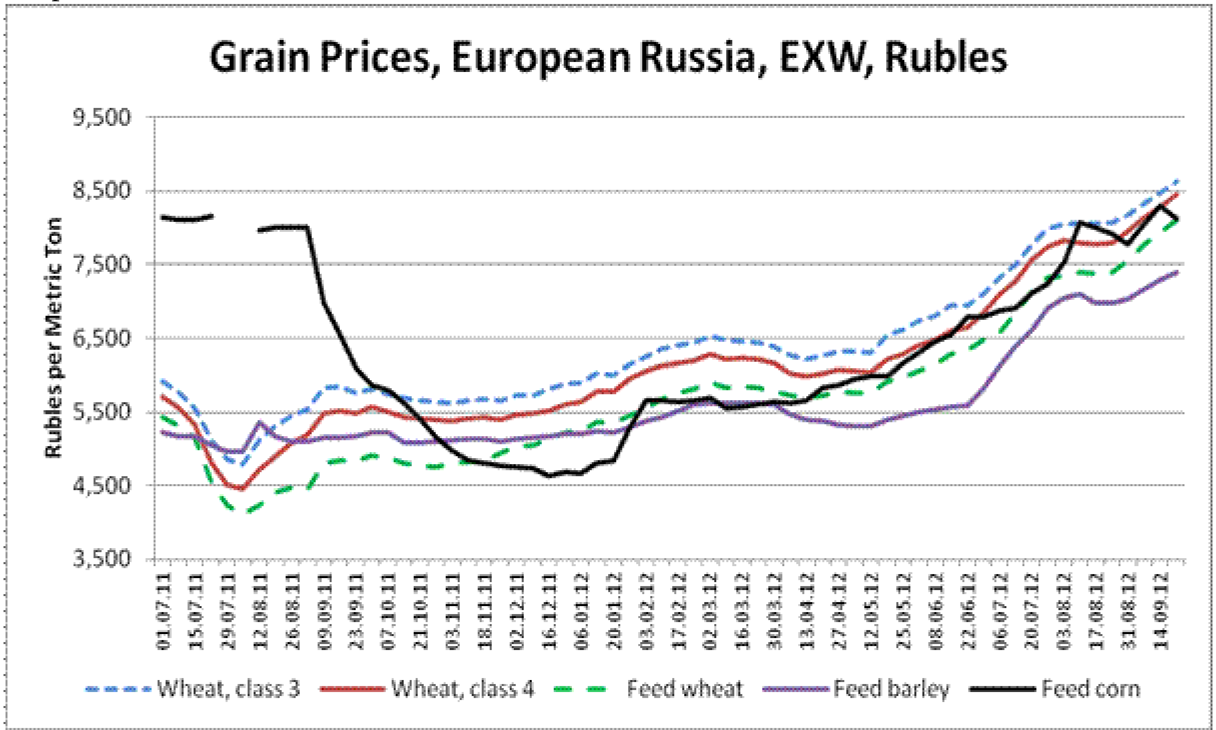
Domestic grain prices have continued to rise sharply, fueled by the combination of worsening prospects of the Russian crop, decreasing grain stocks, and continued very strong grain exports. This price increase is despite a stabilization in world prices. In the last week of September 2012, wheat prices rose faster than the prices of other crops. Also because of the smaller crop there, wheat prices in Siberia reached the same level of prices in Southern European Russia, where wheat prices have historically been the highest due to export demand. From August 24th to September 21st the price of milling wheat Class 3 in Siberia increased by 10 percent to 9,070 rubles ($288) per metric ton, in the South of European Russia the price of the same class wheat increased by 7.5 percent to 9,500 rubles ($302) per metric ton.

Graph 4



Source: ProZerno

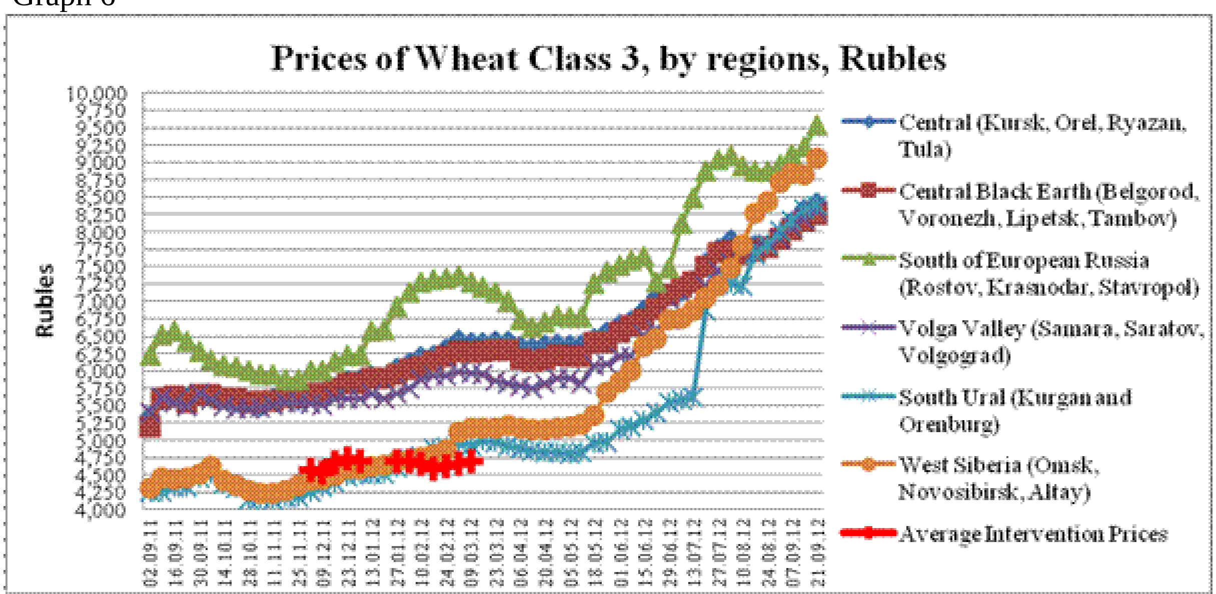
Graph 5



Source: ProZerno

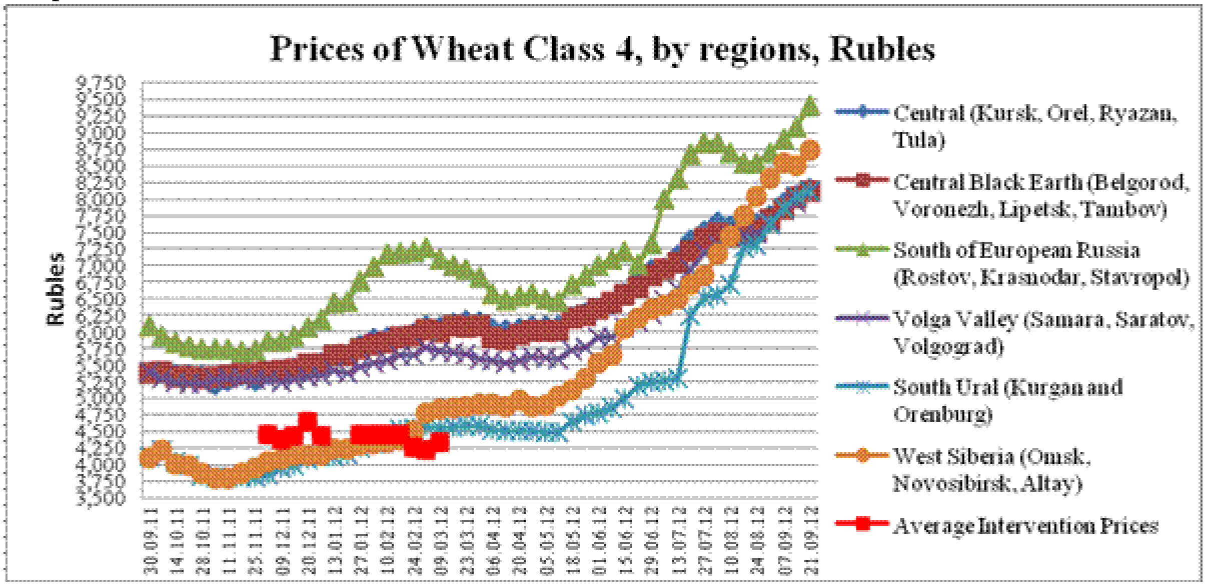
Wheat prices have grown in all parts of Russia, including in Siberia, where prices have typically been significantly lower because of limited access to export markets.

Graph 6



Source: ProZerno

Graph 7



Source: ProZerno

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	22,500	24,000
Beginning Stocks	14,722	14,257	13,736	13,271	10,440	9,975
Production	41,508	41,508	56,231	56,231	39,000	40,000
MY Imports	89	89	100	100	500	1,000
TY Imports	89	89	100	100	500	1,000
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	56,319	55,854	70,067	69,602	49,940	50,975
MY Exports	3,983	3,983	21,627	21,627	8,000	8,000
TY Exports	3,983	3,983	21,627	21,627	8,000	8,000
Feed and Residual	16,000	16,000	15,500	15,500	13,500	14,000
FSI Consumption	22,600	22,600	22,500	22,500	22,000	22,000
Total Consumption	38,600	38,600	38,000	38,000	35,500	36,000
Ending Stocks	13,736	13,271	10,440	9,975	6,440	6,975
Total Distribution	56,319	55,854	70,067	69,602	49,940	50,975
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	3,400	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	179	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	2,679	2,863
MY Exports	0	0	240	238	50	50
TY Exports	21	21	250	230	50	50
Feed and Residual	100	100	150	200	150	150
FSI Consumption	1,750	1,770	2,650	2,650	2,300	2,500
Total Consumption	1,850	1,870	2,800	2,850	2,450	2,650
Ending Stocks	250	282	179	163	179	163
Total Distribution	2,100	2,152	3,219	3,251	2,679	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						