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## **Russian Federation**

### **Grain and Feed Update**

#### **Domestic Grain Prices Continue Rising As Stocks Decrease**

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**Report Highlights:**

Domestic grain prices have continued to soar in Russia as a result of a severe drawn-down in stocks due to a smaller crop and very strong early season exports. The Russian State Statistical Service (Rosstat) states that in 2012, Russia's grain and pulses crop was 70.7 million metric tons (MMT) compared to 94.2 MMT in the previous year. This includes 37.7 MMT of wheat, 13.9 MMT of barley, 8.0 MMT of corn, and 11.1 MMT of other grains and pulses. This wheat crop is the smallest in a decade, while conversely the corn crop is the largest in history.

**Executive Summary:**

On January 9, 2013, the Russian State Statistical Service (Rosstat) published data showing Russia's 2012 grain and pulses crop was 70.7 million metric tons (MMT) in clean weight (compared to 94.3 MMT in 2011), including 37.7 MMT of wheat, 13.9 MMT of barley, 8.0 MMT of corn, and 11.1 MMT of other grains and pulses. This wheat crop is the smallest in a decade, while conversely the corn crop is the largest in history.

Despite the small 2012 total grain crop (the smallest was in drought-affected 2010), Russia has been exporting grain at a rapid pace. Between July 2012 and the end of December total exports of grains and pulses reached 13.5 MMT, including 9.7 MMT of wheat. Exports are expected to drop sharply in January – February 2013, but industry analysts forecast export renewal, although at slow pace, in March and April. FAS/Moscow increased Russia's total MY 2012 grain export forecast to 16.0 MMT, including 11.0 MMT of wheat, 2.3 MMT of barley, 2.0 MMT of corn, and 0.7 MMT of other grains and pulses. Through mid-January 2013, imports of grain are estimated at less than 0.5 MMT, most of which was malting barley. However, industry analysts forecast that Russia's total grain imports may begin increasing in the spring, and may reach 2.0 MMT, with wheat from Kazakhstan being the major portion of these imports.

Because of the small crop and large exports, Russia's domestic grain stocks have decreased dramatically to levels far below the last three years, and domestic prices have skyrocketed, with strong increases in wheat prices. In grain-exporting European Russia, prices of milling wheat (Classes 3 and 4) increased from 7,100 Rubles (\$220) per MT, EXW, in the beginning of July 2013 to 11,000 rubles (\$369) per MT by mid-January 2013. Prices of feed quality wheat (Class 5) were increasing even faster, from 6,575 Rubles (\$202) per MT to 10,745 Rubles (\$356) per MT, highlighting the severe shortage of feed-quality grain.

The sales of milling quality wheat from the State (government-owned) Intervention Fund began late in October 2012, but have not been able to curb the wheat price increase. As of January 23<sup>rd</sup>, 2013 the government has sold almost 1.45 MMT of milling quality wheat from the Intervention Fund.

According to industry analysts, domestic grain prices have already exceeded international market prices and this has reduced Russian traders' incentives to export grain. The price increases have had a significant impact on the profitability of many Russian livestock and poultry producers, and will likely impact meat prices.

For the 2013 crop, winter wheat sown area is almost unchanged from last year. Also, analysts estimate government financial support of spring sowing at a lower level than in 2012 or 2011 because of changes in the methods of producer support. This could affect farmers' spring sowing plans. At present the Ministry of Agriculture is considering some measures aimed at increasing the supply of lower priced grain to European Russia (where poultry and livestock production is concentrated) including the temporary lifting of the 5 percent import duty on wheat. However, nothing has been adopted yet.

**General Information**

### ***Crop 2012 Details***

On January 9<sup>th</sup>, 2013, the Russian State Statistical Service (Rosstat) published data on 2012 grain crops (however data broken down by winter and spring wheat and winter and spring barley are not yet available). The total sown area for 2012 grain and pulses was 44.4 million hectares, 2 percent more than in 2011. However dryness in spring and summer in most grain producing areas caused significant decrease in production, and the total grain crop was 70.7 MMT, 25 percent less than in 2011. The wheat crop suffered most of all, and wheat production decreased by 33 percent from last year to 37.7 MMT, the lowest wheat crop since 2003. The barley crop was 13.9 MMT, 5.5 MMT higher than in the drought impacted 2010, but lower than in any other given year in the last decade. Corn production, however, reached a record of 8.0 MMT. Area sown with pulses has also been increasing in the last 5 years, driven by growing export demand, by the increased domestic consumption of pulses in feeds and food industries, and by the benefits of these crops as soil nutrients in crop rotation. In 2012, the pulses crop was 2.2 MMT, the second highest after the 2.5 MMT's crop in 2011, and larger than the rye crop, although rye traditionally has been the second important food grain in Russia.

Table 1. Planted Area, Production and Yields per Harvested Area, 2006 - 2012

	2008	2009	2010	2011	2012 (prelim)
<b>Planted Area, 1,000 Hectares</b>					
Wheat, total	26,633	28,698	26,613	25,552	24,682
Barley, total	9,621	9,035	7,214	7,881	8,816
Rye	2,162	2,142	1,762	1,551	1,559
Triticale		190	165	226	233
Oats (spring)	3,561	3,374	2,895	3,046	3,240
Corn for grain	1,812	1,365	1,416	1,716	2,055
Rice	164	183	203	211	201
Millet	572	522	521	826	474
Buckwheat	1,113	932	1,080	907	1,270
Legumes	1,006	1,080	1,305	1,553	1,844
Other	98	32	20	103	55
Total	46,742	47,553	43,194	43,572	44,429
<b>Production, 1,000 Metric Tons</b>					
Wheat, total	63,765	61,740	41,508	56,240	37,717
Barley, total	23,148	17,881	8,350	16,938	13,939
Rye (winter)	4,505	4,329	1,636	2,971	2,133
Triticale		508	246	523	464
Oats (spring)	5,835	5,401	3,220	5,332	4,027
Corn for grain	6,682	3,963	3,084	6,962	7,994
Rice	738	913	1,061	1,056	1,052
Millet	711	265	134	878	336
Buckwheat	924	564	339	800	796
Legumes	1,794	1,529	1,371	2,453	2,172
Other	77	18	11	60	46
Total	108,179	97,111	60,960	94,213	70,676

<b>Yields (tons per harvested hectare)</b>					
Wheat, total	2.45	2.32	1.91	2.26	1.77
Barley, total	2.46	2.31	1.68	2.20	1.82
Rye (winter)	2.11	2.07	1.19	1.95	1.50
Triticale		2.72	1.76	2.35	2.08
Oats (spring)	1.71	1.79	1.44	1.82	1.41
Corn for grain	3.87	3.53	3.00	4.34	4.22
Rice	4.62	5.14	5.28	5.09	5.49
Millet	1.38	1.00	0.78	1.39	1.00
Buckwheat	0.92	0.90	0.59	0.95	0.77
Legumes	1.84	1.65	1.39	1.67	1.28

Source: Rosstat

There is no data on the quality of wheat, but industry sources report that along with a significant decrease in the quantity of wheat, due to dry weather the share of top grade milling wheat is higher than average. This resulted in an inverse market situation when the price of feed-quality wheat (wheat Class 5, fodder quality) reached the price of milling wheat in many Russian provinces (See Price Graph).

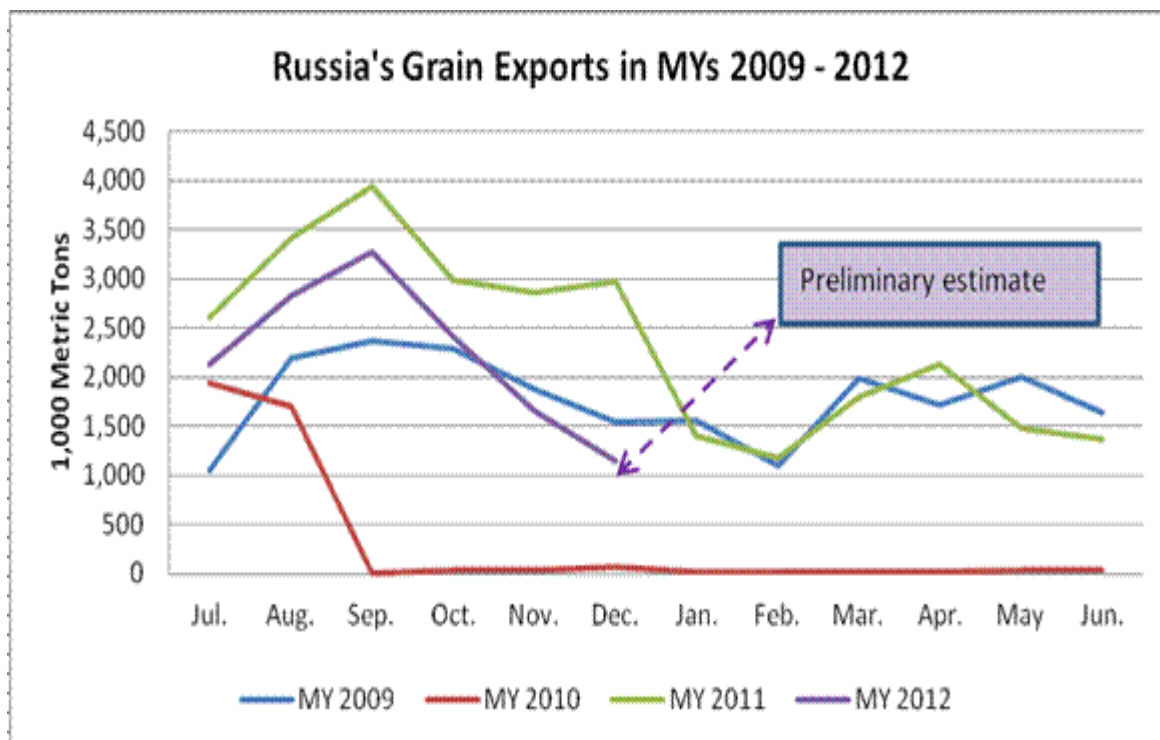
### ***Winter Grain Condition***

The winter grains and winter feed crops (winter rapeseed) were sown on 16 million hectares, including 15.8 million hectares were sown to winter grains. This area is only 0.1 – 0.2 million hectares less than in 2011, and 1 million hectares more than in 2010. However, it is over 2 million hectares less than was sown with winter grains in autumn 2009 and 2008. Broken out by federal districts, winter-sown-areas are estimated by industry analysts as the following: 3.7 million hectares in the Central Federal District (the same as in 2011), 7.6 million hectares in the Southern and North Caucasus federal districts (just a fraction - 0.1 million hectares, lower than in 2011), and 4.4 million hectares in the Volga Valley Federal Districts (0.15 million hectares less than in 2011). As of the beginning of January, winter grain conditions were reported as normal, although in some regions of the Volga Valley the snow cover was not significant until end of December. In the third week of January air temperatures in Stavropol and Krasnodar krais increased to +10 to +13 degrees centigrade. If this weather lasts longer and will be followed by frosts, these spells of warm weather may damage winter grain in these provinces. However, industry analysts report that it is too early to forecast winter grain status.

### ***Trade Details***

In July – November 2012, Russia exported 12.3 MMT of total grain and pulses, including 9.1 MMT of wheat, 1.8 MMT of barley, 0.8 MMT of corn, 0.3 MMT of pulses, and almost 0.3 MMT of other grains. Industry analysts estimate grain exports in December at 1.2 MMT taking the total in the first half of the marketing year to 13.5 MMT. In January exports are estimated by industry analysts to fall to 0.5 MMT. Thus, the total by the end of January may reach 14 MMT, which were estimated by the Ministry of Agriculture as the affordable maximum that will not disrupt Russia's grain balance. Exports have reached a monthly high of 3.3 MMT in September, and have been slowing down in October, November and December. Export volumes are dropping in January and February, however, exports may increase in March and April.

### **Graph 1.**

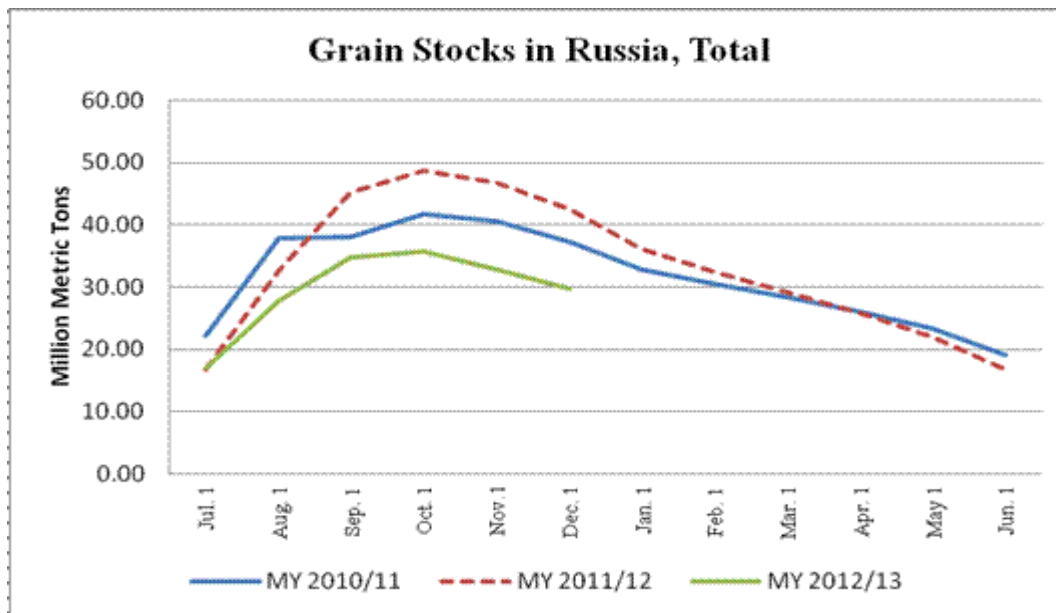


Source: FAS/Moscow

### ***Stocks***

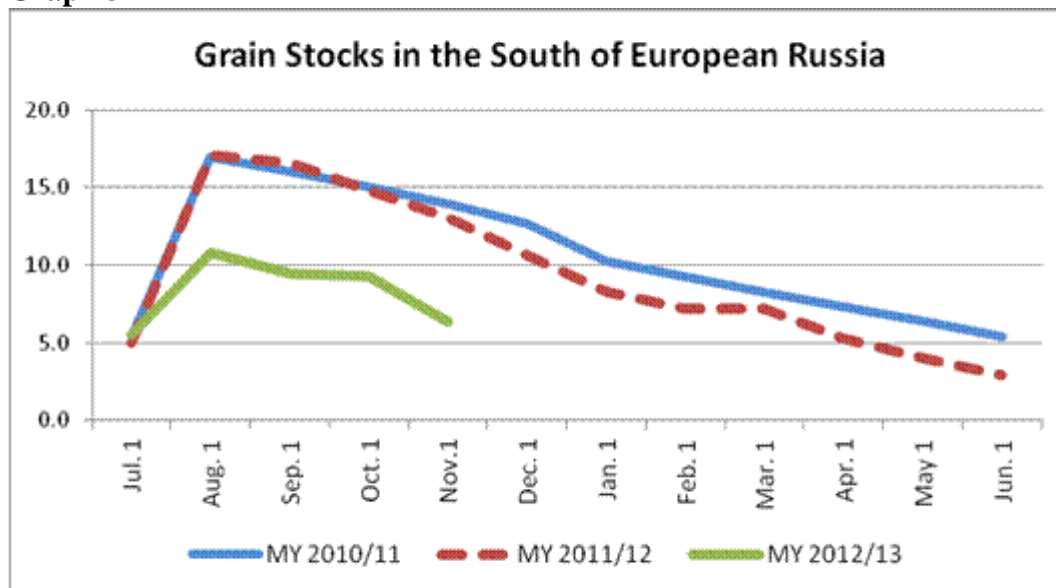
Russian grain stocks have been depleting rapidly, and as of December 1, 2012 were 29.7 MMT, 30 percent less than on December 1, 2011, and 20 percent less than on December 1, 2010, the year of the severe drought in Russia. Grain stocks significantly decreased from last year in the North Caucasus and Southern federal districts (the main exporting regions), by 52 and 38 percent respectively, and in the Volga Valley federal districts – by 36 percent. The decrease in wheat stocks is due to the smaller crop and very strong early-season exports. Rosstat provides data by crops only for stocks at the processing enterprises, elevators and warehouses, while on-farm stocks by types of grain are not available. On December 1, 2012, wheat stocks at consolidating and processing enterprises were 8.6 MMT, while on the same date in 2011 they were 12.5 MMT, and on December 1, 2010 – 14.1 MMT. Industry analysts also estimate wheat stocks on farms as the lowest in at least the last 3 years.

**Graph 2.**



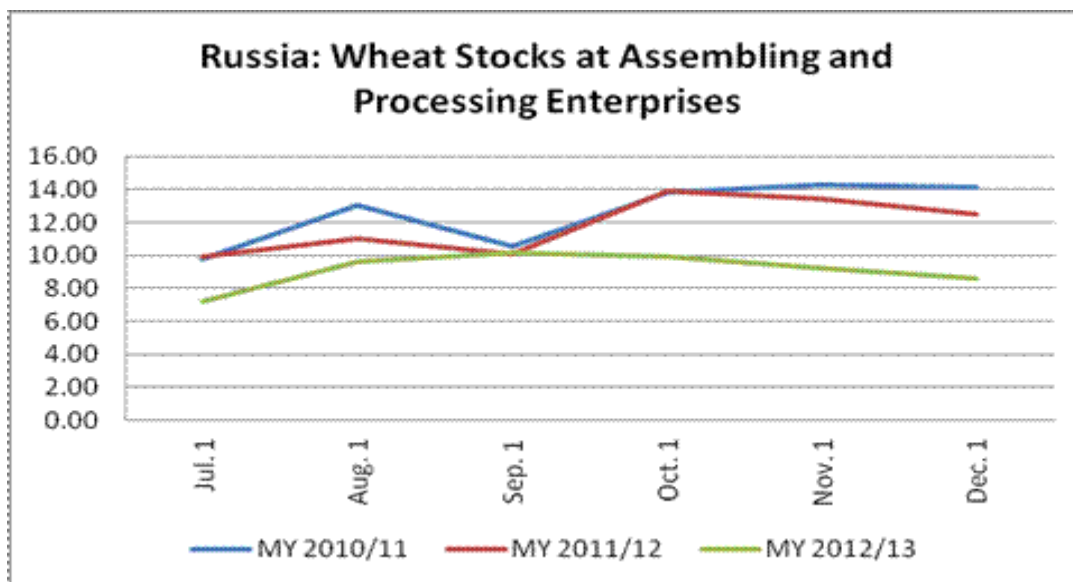
Source: Rosstat

**Graph 3**



Source: Rosstat

**Graph 4**



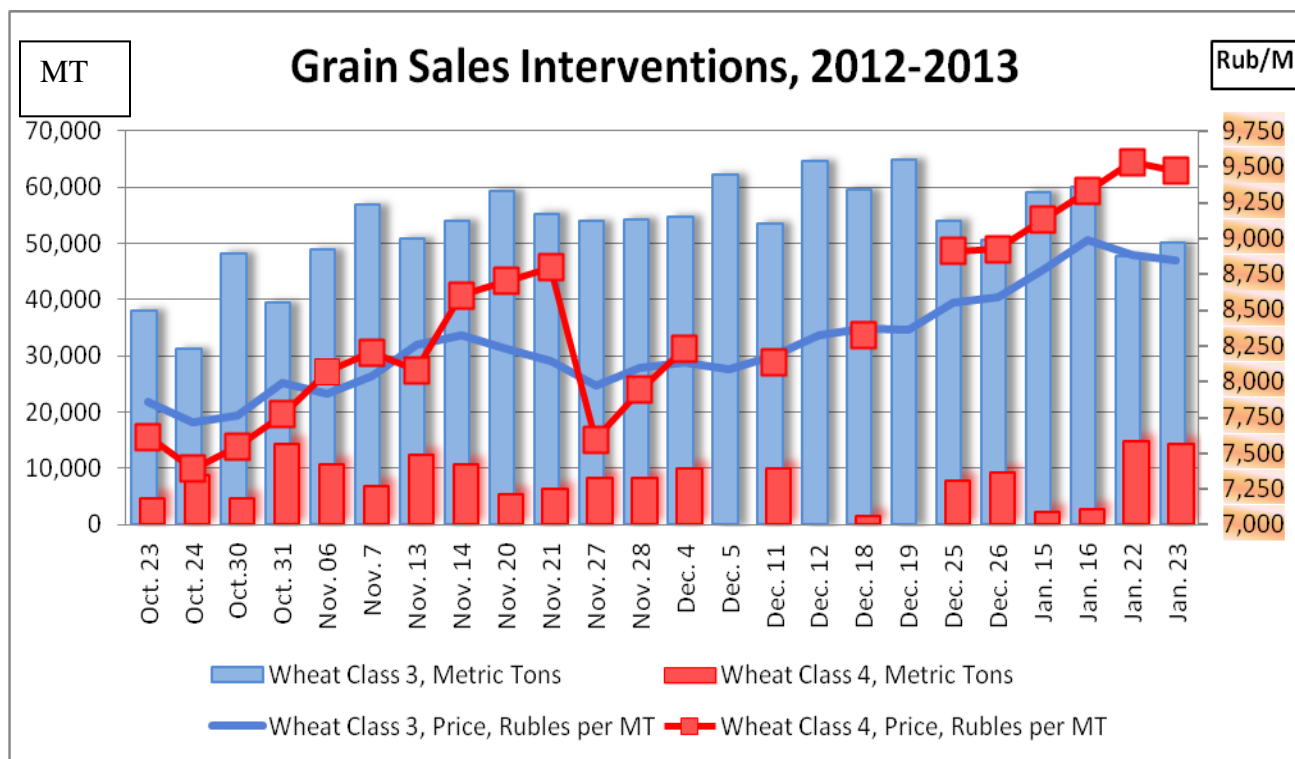
Source: Rosstat

### ***Policy Update***

Russia has continued intervention sales of milling quality wheat on January 15, 16, 22 and 23<sup>rd</sup>. From the beginning of intervention sales in October 2012 and through January 23<sup>rd</sup> 2013, the government has sold 1,448,692 Metric Tons (MT) of milling quality wheat, including 1,272,712 MT of Class 3 wheat and 175,980 MT of Class 4 wheat. Because of limited availability of Class 4 wheat in the Intervention Fund, prices of this class of wheat at recent sessions were even higher than prices of Class 3 wheat. By mid-December 2012, stocks of Class 4 wheat for sale in the Intervention Fund were almost exhausted, and at the session on December 18, 2012, the government even sold 1,485 MT of Class 4 wheat from the 2011 crop, which was not originally intended for intervention sales.

When intervention sales first started, sales were aimed at flour and feed millers from the Ural, Siberia and Far-Eastern federal districts, and the sales were from stocks kept in these districts. However, later the sales were allowed from stocks in the Volga Valley and even Central federal districts.

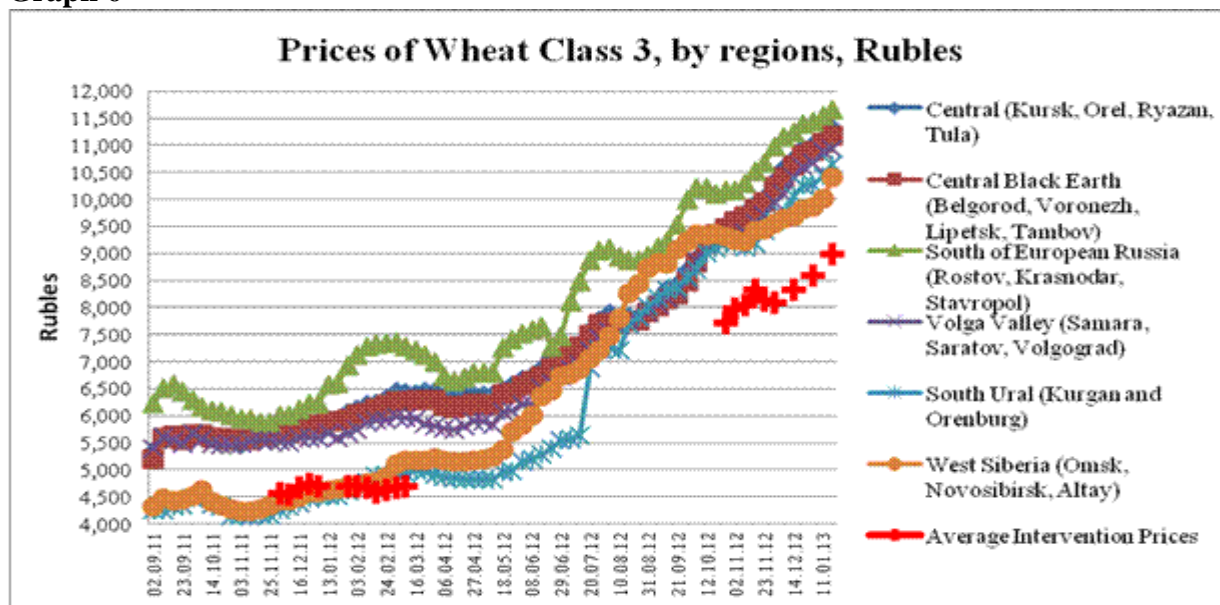
**Graph 5**



Source: FAS/Moscow

The Graphs below show that the market prices of grain in provinces where they sell intervention wheat continue to rise, and the sale price of intervention grain also is rising (although has remained below market price).

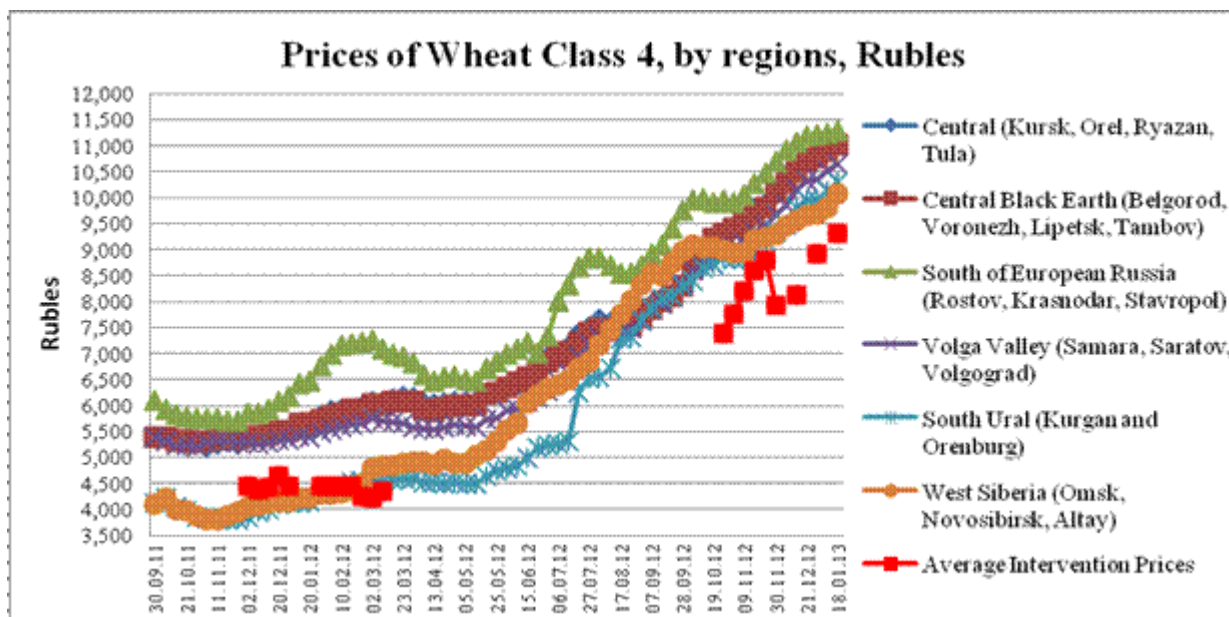
**Graph 6**



Source: ProZerno

**Graph 7**



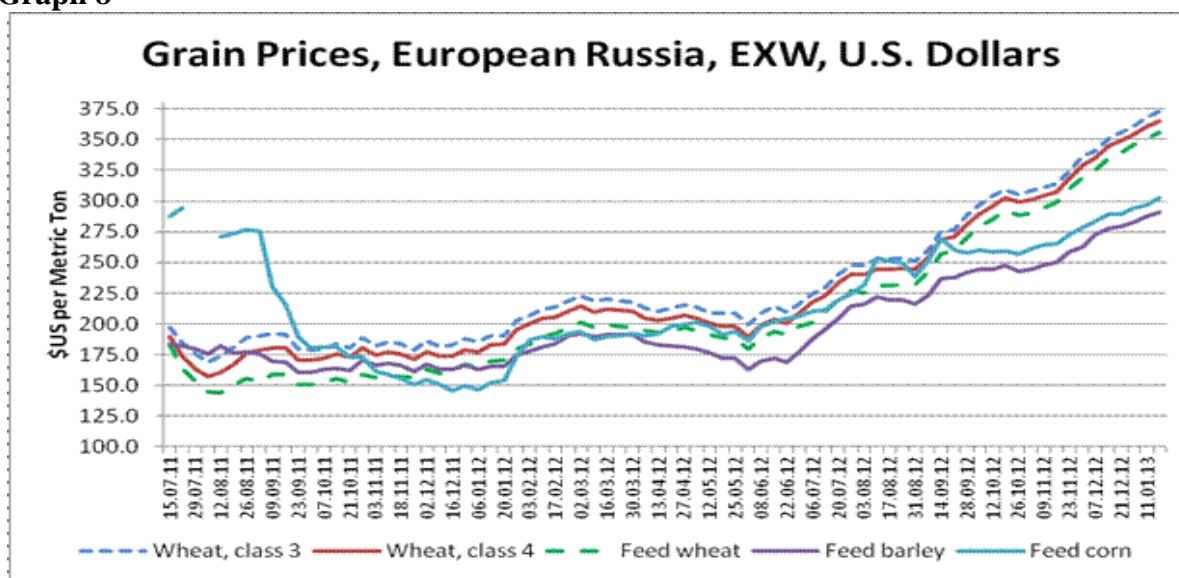


Source: ProZerno

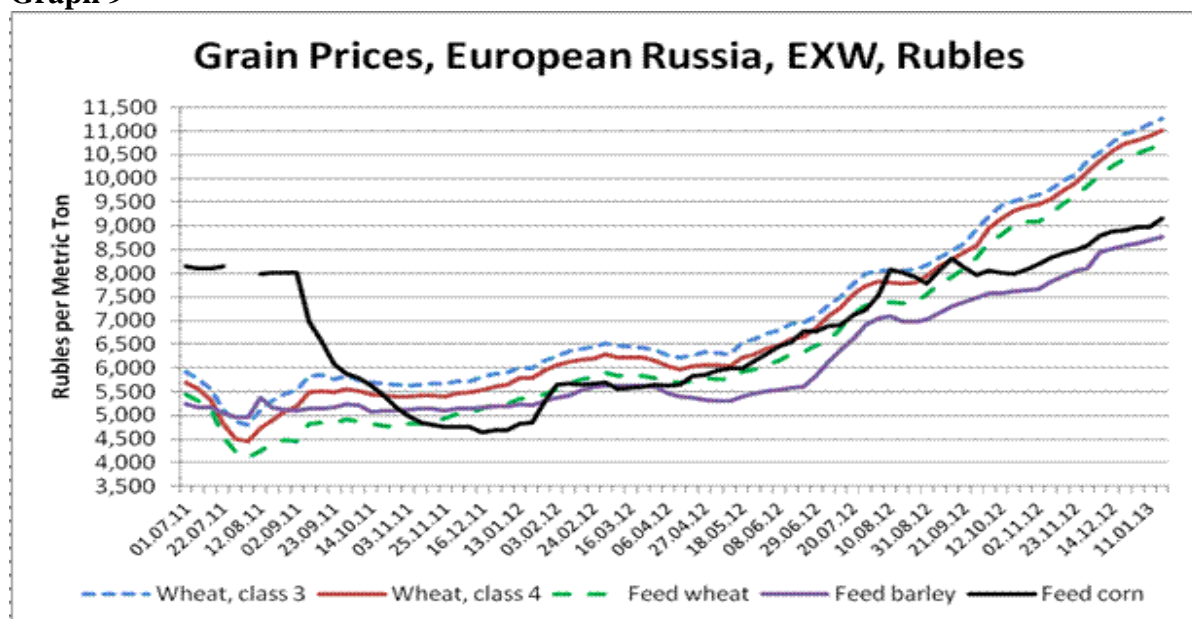
In the middle of January 2013, the Ministry of Agriculture conducted a meeting on the grain situation, and one of the proposals was to temporarily lift import duty on some grains, such as wheat. The present tariff on imports of most grains from the non-Custom Union countries is 5 percent. The lifting of the imports tariff would ease imports of grain from the EU to the North-Western part of European Russia (with a large number of poultry producers and Russia's major metropolitan areas). However, as of today, no decision has been made on the import duty. Lifting of import duty would require a special Resolution of the Government, and the changes are reported to be unlikely at least until end of February 2013.

### Grain Prices in the European Russia

Graph 8



Graph 9



Source: ProZerno

*Production Supply and Demand Data for Major Crops*

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	24,814	24,885	21,800	21,310
Beginning Stocks	14,722	14,257	13,736	13,271	10,899	10,434
Production	41,508	41,508	56,240	56,240	37,700	37,720
MY Imports	89	89	550	550	1,500	1,000
TY Imports	89	89	550	550	1,500	1,000
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	56,319	55,854	70,526	70,061	50,099	49,154
MY Exports	3,983	3,983	21,627	21,627	10,500	11,000
TY Exports	3,983	3,983	21,627	21,627	10,500	11,000
Feed and Residual	16,000	16,000	15,500	15,500	12,000	11,500
FSI Consumption	22,600	22,600	22,500	22,500	22,000	21,500
Total Consumption	38,600	38,600	38,000	38,000	34,000	33,000
Ending Stocks	13,736	13,271	10,899	10,434	5,599	5,154
Total Distribution	56,319	55,854	70,526	70,061	50,099	49,154

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	7,695	7,695	7,700	7,760
Beginning Stocks	2,395	2,389	1,386	1,380	848	842
Production	8,350	8,350	16,938	16,938	13,900	13,940
MY Imports	408	408	368	368	500	500
TY Imports	411	411	372	372	500	500
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	11,153	11,147	18,692	18,686	15,248	15,282

MY Exports	267	267	3,544	3,544	2,200	2,300
TY Exports	969	969	3,668	3,668	2,200	2,300
Feed and Residual	5,500	5,500	9,800	9,800	7,900	7,900
FSI Consumption	4,000	4,000	4,500	4,500	4,400	4,400
Total Consumption	9,500	9,500	14,300	14,300	12,300	12,300
Ending Stocks	1,386	1,380	848	842	748	682
Total Distribution	11,153	11,147	18,692	18,686	15,248	15,282

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	1,604	1,550	1,800	1,900
Beginning Stocks	122	160	72	94	457	297
Production	3,075	3,075	6,962	6,680	8,000	7,995
MY Imports	112	108	50	50	200	200
TY Imports	112	108	50	50	200	200
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	3,309	3,343	7,084	6,824	8,657	8,492
MY Exports	37	49	2,027	2,027	2,300	2,000
TY Exports	37	49	2,027	2,027	2,300	2,000
Feed and Residual	2,800	2,800	3,900	3,800	5,400	5,500
FSI Consumption	400	400	700	700	800	800
Total Consumption	3,200	3,200	4,600	4,500	6,200	6,300
Ending Stocks	72	94	457	297	157	192
Total Distribution	3,309	3,343	7,084	6,824	8,657	8,492

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	185	185
Beginning Stocks	55	55	89	89	65	65
Milled Production	690	690	686	686	685	685
Rough Production	1,062	1,062	1,055	1,055	1,054	1,054
Milling Rate (.9999)	6,500	6,500	6,500	6,500	6,500	6,500
MY Imports	176	176	190	190	220	220
TY Imports	176	176	190	190	220	220
TY Imp. from U.S.	3	0	0	0	0	20
Total Supply	921	921	965	965	970	970
MY Exports	142	142	220	220	170	160
TY Exports	142	142	220	220	170	160
Consumption and Residual	690	690	680	680	725	750
Ending Stocks	89	89	65	65	75	60
Total Distribution	921	921	965	965	970	970

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	1,522	1,520	1,450	1,450
Beginning Stocks	308	360	250	282	129	163
Production	1,642	1,642	2,967	2,967	2,150	2,150
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

