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Grain and Feed Update

Report Categories:
Grain and Feed
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Report Highlights:
FAS/Moscow decreased its July 2018 grain production forecast by 1.0 million metric tons (MMT) to 108.9 MMT. The grain crop forecast includes 68.5 MMT of wheat (1.0 MMT higher than the July forecast), 16.8 MMT of barley (down 0.7 MMT), 11.8 MMT of corn (0.9 MMT down), and 11.8 MMT of other grains and pulses. Unfavorable weather during spring planting, dryness in major grain producing areas during vegetation and an uneven pace of harvesting resulted in decreased production for major grains and lower yields compared to last year. Average wheat and barley yields are down by 12 and 20 percent, respectively, from 2017/18. Post estimates total Russian grain exports during MY2018/2019 at 41.4 MMT, or 3.9 MMT less than the previous forecast in July.

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.

Executive Summary:

According to the Ministry of Agriculture, Russia's harvest of grain is estimated at 105 MMT, 30 MMT less than its record high crop of 135.4 MMT in MY2017/18. However, the crop forecast of 105 MMT is still higher than the 10-year average grain crop in Russia. Unfavorable weather during spring planting, dryness in major grain producing areas during vegetation and uneven pace of harvesting resulted in decreased production for major grains and lower yields compared to last year. Average wheat and barley yields are down by 12 and 20 percent, respectively, from 2017/18.

Meanwhile, the Ministry of Agriculture reports that winter grain sowing is proceeding at a good pace where in some grain producing areas, such as Siberia and Altai, farmers have already planted more area for winter wheat than originally planned.

FAS/Moscow decreased Post's July 2018 grain production forecast by 1.0 MMT to 108.9 MMT. The grain crop forecast includes 68.5 MMT of wheat (1.0 MMT higher than the July forecast), 16.8 MMT of barley (down 0.7 MMT), 11.8 MMT of corn (0.9 MMT down), 2.2 MMT of rye, 5.1 MMT of oats, 0.63 MMT of milled rice, and almost 3.5 MMT of other grains and pulses. (Please see GAIN RS1818 Grain and Feed Update July 2018).

FAS /Moscow's higher forecast for wheat of 68.5 MMT is still 2.5 MMT lower than the official USDA forecast in September, reflecting Russian official data on the pace of harvesting, updated forecasts from major analytical groups and recent reports from industry sources. FAS/Moscow decreased the corn production outlook to 11.8 MMT, 0.9 million lower than its previous estimate. Corn production is forecast down due to smaller acreage sown last spring and extreme dryness during vegetation coupled with unfavorable weather during harvesting. Post has decreased the production forecast for barley from 17.5 MMT to 16.8 MMT, based on the lower than expected production and yield in major barley producing regions.

Russia's grain exports from July to September 2018 were 15.1 MMT (a 20 percent increase from marketing year 2017/2018), including 12.8 MMT of wheat, 1.7 MMT of barley and 0.45 MMT of corn. Based on the latest official data and reports from industry sources, Post adjusted export data for major grains for MY2018/19. Post estimates total Russian grain exports during MY2018/2019 at 41.4 MMT, or 3.9 MMT less than forecasted in FAS Moscow's Grain Update in July. Russian grain exports include 33.4 MMT of wheat, 4.2 MMT of barley, 3.57 MMT of corn and 250,000 MT of other grains.

Harvest progress

As of October 2, 2018, Russian farmers have harvested almost 87 percent of all Russia's area sown to grain, 38.4 million hectares. This is almost 2.3 million hectares less than the acreage harvested by the same date last year. In bunker weight[1] of grain harvested it is 19 percent lower than last year, or 99.5 MMT against 123.1 MMT in 2017/2018. Average grain yield is 2.58 MT/HA compared with 3.01 MT/HA in 2017/2018 in bunker weight.

According to the Ministry of Agriculture, Russia will produce 105 MMT this year (135.4 MMT in 2017) that is significantly lower than the previous Russian historical record in MY 2017/18, but still higher than the 10-year average. Industry analysts believe that despite adverse weather conditions this year, such as severe drought during the vegetation period in several large grain producing provinces in southern and central Russia coupled with rainfalls and unusually low temperatures during harvesting in Siberia and Urals, farmers were still able to produce a good grain crop in terms of volume and quality. The good crop resulted from a combination of improved production technology and timely decision on earlier start of the harvesting campaign. Harvest progress, by major grains, follows[2]:

As of October 2, 2018, the results of the harvest, by major grain crops, are provided in the table below.

Table 1: Harvest as of October 2, 2018*

	Harvested crop, 1,000 MT	Harvested Area 1,000 hectares	Share of planned harvest area, %
Total Grain	99.5	38.4	86.7
Wheat	67.8	23.4	89.1
Barley	16.5	7.2	93.6
Corn	9.1	0.92	38.1

* Crimea is not included

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

According to the Russian Ministry of Agriculture, below is the status of harvest for grains and pulses, by major federal districts (FD), as of October 2 , 2018:

- Farmers in the Southern FD (area of winter grains and corn) harvested almost 27.8 MMT of grain from 8.2 million hectares, or 94.8 percent of all area planned for harvest[3]. The average yield was 3.38 MT per hectare, compared to 4.15 MT/HA in 2017;
- Farmers in the North Caucasus FD (area of winter grains and corn) harvested 9.7 MMT from 2.7 million hectares, or 82.8 percent of area planned for harvest. The average yield was 3.62 MT/HA, compared to 4.15 MT/HA in 2017;
- In the Central FD (area of primarily winter grains and corn) farmers harvested 25.6 MMT from 7.2 million hectares, or 92.7 percent of area planned for harvest. The average yield was 3.56 MT/HA, compared to 4.10 MT/HA in 2017;
- In the Volga Valley FD (primarily spring grains) farmers harvested 21.1 MMT of grain from

[1] Bunker weight is 3-6 percent higher than the clean weight of grain crop. Production in clean weight is reported by Russian statistics only 2-3 months after the completion of the harvest

[2] Crimea is not included.

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

11.9 million hectares, or 96.9 percent of area planned for harvest. The average yield was 1.78 MT/HA, compared to 2.50 MT/HA on the same date last year;
- Farmers in the Ural FD (spring grains) harvested almost 4.8 MMT of grain from 2.8 million hectares, or 83.9 percent of area planned for harvest. The average yield was 1.68 MT/HA compared to 2.02 MT/HA in 2017;
- Farmers in the Siberia FD harvested 10.3 MMT of grain from 5.6 million hectares, or 62.8 percent of area planned for harvest. The average yield was 1.83 MT/HA, compared with 1.64 MT/HA in 2017.

Wheat

As of October 2, 2018, 23.4 million hectares of the wheat crop had been harvested, or 89.1 percent of wheat acreage planned for harvesting. Total production from that acreage was 67.8 MMT in bunker weight, which is 18 percent less than on the same date last year. Harvesting is almost finished except for in the Siberian federal district where field work was hindered by rains and snow starting from mid of September. In some areas of eastern Siberia there was temporary snow cover on the fields from 1-6 cm, which caused a delay in harvesting for 10-12 days until the end of the month. Unusually warm weather in early October in Siberia allowed for some harvesting, however part of the planted area may be lost due to early frost that usually occur in October. Meanwhile, in the Urals federal district and in western Siberia conditions for vegetation of winter grain are expected to be satisfactory. Nevertheless, experts believe that farmers will not be able to harvest all area planted in Siberia as it will be hard to make up for the time already lost. Post reduced the forecast for area harvested in MY2019/18 by 300 thousand hectares to 25.8 million hectares.

Average wheat yields are lower than on the same date last year in all regions, except for Siberia, making an average 2.89 MT/HA (3.30 MT/HA in 2017), down 12 percent from 2017/2018. The lowest yields are reported in the Central Federal District where they are 14 percent, in the Volga Valley federal district where they are down by 29 percent, and in the Southern federal district, the yield is down by 13 percent compared to 2017. Average wheat yields in Siberia federal district demonstrated an increase of 7.5 percent, compared to the yield on the same date on 2017.

FAS/Moscow has increased the Russian wheat production forecast for MY 2018/19 from its July update from 67.5 MMT to 68.5 MMT, reflecting official data on the pace of harvesting, updated forecasts from major analytical groups and recent reports from industry sources.

Barley

As of October 2, 2018, Russian farmers have harvested 16.5 MMT (93.6 percent of total barley acreage) of barley in bunker weight (20.3 MMT on the same date 2017). Average barley yield is reported lower by nearly 20 percent compared to MY2017/18. The yields are noticeably lower in the Southern federal district (29 percent below 2017), North Caucuses federal district (23 percent below 2017), Volga Valley federal district (30 percent lower than in 2016), and the Central federal district (down by 12 percent).

Post has decreased the production forecast for barley from 17.5 MMT to 16.8 MMT, based on lower than expected production and yield in major barley producing regions.

Corn

As of October 2, 2018, Russian farmers have harvested 3.4 MMT of corn from 38.1 percent of area planned for corn harvest. On the same date last year, 45 percent of the total corn acreage had been harvested. Unfavorable weather conditions resulted in lower yields in the main corn producing federal districts in most corn producing areas. Average corn yield is 3.75 MT/HA (4.77 MT/HA in 2017/2018), a 21 percent decrease from 2017/2018. The lowest yield is reported in the Southern federal district, where it was 2.77 MT/HA, or 40 percent less than in 2017/18, in the Northern Caucasus yield was 3.69 MT/HA, 20 percent less. Higher yield was reported only in the Central federal district, where it was 7.12 MT/HA, 17 percent higher than on the same date in 2017. The Central federal districts accounts for 40 percent of total corn production in Russia.

FAS/Moscow forecasts Russian corn production at 11.8 MMT, down by 0.9 MMT from our July estimate. Post is projecting production of 0.2 MMT less than USDA's official number to more closely reflect decreased corn yield and area sown to corn in 2017/2018. A smaller corn crop in the South of Russia will translate into lower export numbers.

Grain Quality

As of September 17, the Russian Center of Grain Quality Assessment (the Center) (which reports to the Federal Veterinary and Phytosanitary Surveillance Service), conducted monitoring of 28.1.MMT of grain, including 23.8 MMT of the total wheat harvested in 44 Russian provinces. Based on the results, the share of wheat of 1st class to 4th class is estimated at 66.7 percent, or two percent lower than that for the same period in 2017. Wheat of the 1st Class has not been identified since 2012, the share of 2nd Class of wheat is reported at 0.1 percent (about the same as in 2017), and the share of wheat of 3rd Class is 20.9 percent (versus 21.2 percent in 2017). The share of 4th Class wheat is reported at 45.6 percent or 0.3 percent higher than on the same date in 2017. The share of feed wheat is up 0.2 percent to 33.3 percent versus its share in 2017. The share of wheat that does not comply with requirements of the National State Standard (GOST) has increased from 0.3 percent in 2017 to 3.9 percent this year. The increased share of sprouted wheat is a result of extensive rainfalls during the two weeks prior to harvesting in the central part of Russia. However, the wheat quality in the South and Volga Valley regions was reported as good. The Center also indicates slightly increased protein levels in monitored wheat this year versus last year in the main producing areas.

As of September 17, the Center also monitored 2.1 MMT of barley, or 29.7 percent from the total barley harvested in 25 regions on this date. The results showed that the share of 1st Class barley has increased to 32.7 percent this year from 29.2 percent in 2017. Demand from brewing producers for 1st Class barley has increased in 2017/18 and as a result, farmers have invested into sowing more 1st Class barley in 2018/19. The share of 1st Class barley in the Central part of Russia is reported at 66.2 percent, while its share in the South is lower and accounts for 29.4 percent. According to industry sources, barley quality and yields in Krasnodar region are reportedly high despite of the drought in June.

According to the Russian Grain Union, only government financial support will motivate farmers to invest into production of 1st class and 2nd Class wheat. Grain processors are not ready to pay more for the quality while the farmers will need large investments into the production. In addition, the

Russian government approved a decision to extend the zero export tax tariff for grain until July 1, 2019; however, if the resolution is not extended beyond July 2019, then grain exporters will have to pay export taxes, which are higher for higher quality wheat.

Winter Crop Sowing

As of October 4, 2018, Russia planted 14.0 million hectares out of the total 16.8 million hectares forecast by the Russian Ministry of Agriculture for winter crops (includes winter grains and some fodder crops) that makes up 82 percent out of the total area. By the same date in 2017, 15.5 million hectares had been planted to winter crops out of the total 17.4 million hectares making up 89 percent of the total acreage.

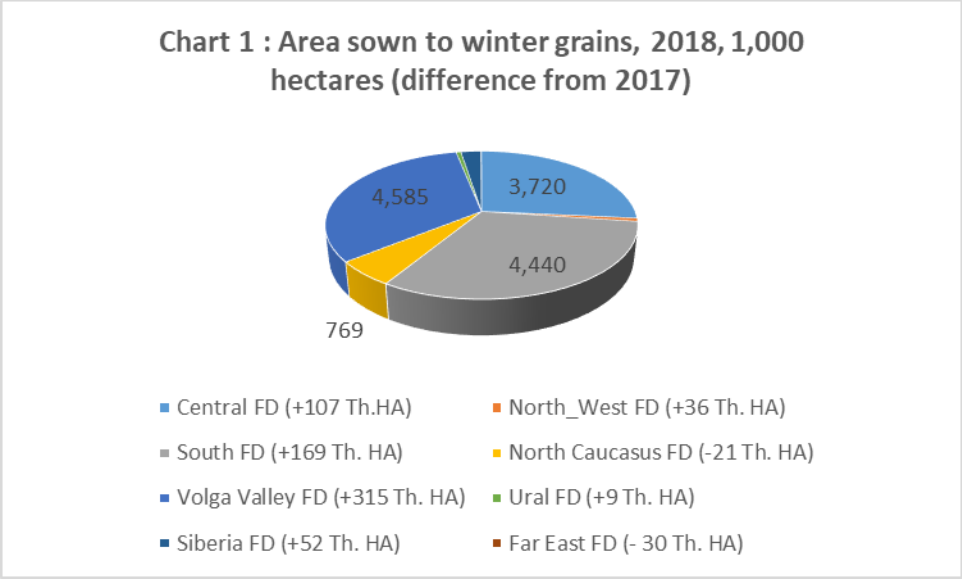
In the Central Federal district, sowing of winter crops is 98 percent finished. In most parts of the district, the soil moisture was favorable for vegetation of winter crops. In the Southern federal district and Volga Valley the winter sowing campaign is going faster than last year, 71 percent and 101.1 percent of the total planned area was sown, respectively. In some parts of the Central district, soil moisture was not satisfactory for vegetation and in some places seeds were sown in dry soil. The pace of field works is the Northern Caucasus federal district is lagging behind by two percent this year due to bad weather conditions. The Siberia and Ural federal districts demonstrate good sowing pace for winter grains, where farmers exceeded area planned for planting grains by more than 3 percent and 11 percent, respectively. This progress is attributed to favorable weather conditions during the sowing campaign and farmers' decision to extend planted area for winter grains.

Industry analysts note that despite weak market prices in the beginning MY2017/18, profitability remains strong enough to motivate farmers to increase total grain acreage in 2018/2019.

According to the Ministry of Agriculture, as of September 6, lending for seasonal field works to the Russian agriculture sector totaled 274.88 billion rubles, up 23.7 percent compared to same period last year. The Russian Agricultural Bank issued loans worth 211.81 billion rubles, up 11.7 percent. Lending by Sberbank was up 97.6 percent to 63.07 billion rubles. The Agriculture Ministry reported that for CY2017, a total of 317 billion rubles in loans were issued for seasonal field works. RusAg Bank issued 270.87 billion rubles and Sberbank - 46.15 billion rubles.

On August 4, 2018, the Russian Government approved Resolution #1620-p, allocating five billion rubles (USD80 million) to subsidize a purchase of at least 90,000 MT of diesel oil in 79 Russian provinces in 2018 (http://government.ru/docs/33567/). The money is allocated from the government Reserve Fund as part of decoupled support for agricultural plant producers to compensate for increasing prices for diesel to carry out agricultural works. The objective of the measure is to increase competitiveness of the Russian agricultural products on the domestic and foreign markets, as well as to advance financial stability of agricultural producers. According to the Ministry of Agriculture, by the end of June 2018, wholesale prices for gas oil were estimated at 51,916 rubles per liter, diesel oil at 55,996 rubles per 1 liter, which is 27.1 percent and 23.5 percent higher than on the same date in 2017. The Ministry of Agriculture estimated that starting from January 2018, in total farmers spent an additional 12 billion rubles (USD181 million) for gas oil and diesel oil due to increasing prices. The Ministry forecasts farmers' demand for in diesel oil in MY2018/19 to be at

4.61 MMT and for gas oil – at 807.4 TMT.



Source: FAS/Moscow based on Ministry of Agriculture's data as of October 3, 2018.

Consumption

Feed consumption is expected to be stable reflecting very moderate growth in production in the poultry sector due to its saturation. [4] While feed prices continue to increase, Russian poultry and livestock producers are looking for the ways to save on feed costs in order to keep up profitability. Russian Feed Union forecasts that feed production in Russia through 2025 will continue to increase by 3-4 percent annually, while some industry experts forecast a very moderate increase of a maximum 1-2 percent.

According to Rosstat, total production of compound feeds increased from 25.8 MMT in 2016 to 27.6 MMT in 2017, 6.9 percent growth (7.1 percent growth was in 2015). The share of grain in animal feeds in Russia at 65 to 70 percent, compared to just 40-45 percent on average in the European Union. Because of the higher percentage of grain in the feed rations, large fluctuations in grain prices can severely impact feed prices. For premixes and biological mineral concentrates, although the production of these continue to climb rapidly in Russia, the country is still dependent on imports of raw materials, mainly for vitamins and amino acids, as well as ferment preparations. This need for imported inputs tends to increase the overall cost of feed in Russia. During the January-May 2018[5] period, the Russian ruble depreciated by 10 percent against U.S. dollar which increased the cost of imported feed components and led to climbing prices for feed. Speculation over the availability of soy from South America also drove feed prices higher. In June 2018, the price for feed wheat, west of the Ural Mountains, was around 9,200 rubles per MT (EXW), 28.5 percent higher than in June 2017. The price of barley increased 31 percent year-on-year to 9,270 rubles per MT. The corn price increased 24 percent to 9,425 rubles per MT. For small and medium-sized producers buying compound feeds, the market outlook has been particularly unfavorable. In order to save the cost on feeds by cutting down the share

[4] For more information see FAS/Moscow report RS1757 Russia 2017 Livestock and Products Annual

[5] The Average nominal exchange rate was 56.78 Ruble per US Dollar in January 2018, and 62.21 Ruble per US Dollar in May 2018. Source: https://www.cbr.ru/statistics/?PrtId=svs

of grain, the Russian Feed Union encourage producers to use improved and more balanced rations of by-products from the food industry in the production of feeds, for example using corn gluten, molasses, dried sugar beet chips, brewing waste and distillers dried grains.

Post increased Feed consumption for wheat in MY2018/19 to 17.6 MMT, 0.6 MMT higher than its July Update, but still 0.4 MMT lower than the official USDA data. The decrease in the FSI consumption for wheat by 200 TMT in MY 2018/19 is due to continued decline in flour production. According to Rosstat, Russia's flour production was 4.4 percent lower than in 2016. Production of flour in January-August 2018 is estimated about 3 percent lower versus the same period in 2017.

Post's number for corn consumption for feed is 7.5 MMT, or 0.3 MMT higher than the official USDA number. Feed consumption is expected to increase in MY 2018/19 as poultry producers gradually switch from wheat to corn for feed.

Post decreased feed barley usage and residuals by 0.2 MMT to 8.4 MMT, which is 200 TMT higher than the official USDA number.

Trade

Russia's grain exports from July to September 2018 were 15.1 MMT (a 20 percent increase from marketing year 2017/2018), including 12.8 MMT of wheat, 1.7 MMT of barley and 0.45 MMT of corn. In the beginning of the marketing year, exporters gained on the improved price spread between a domestic market oversupplied by carry-in stocks on the one hand and firmer export demand and increasing world prices for grain on the other hand.

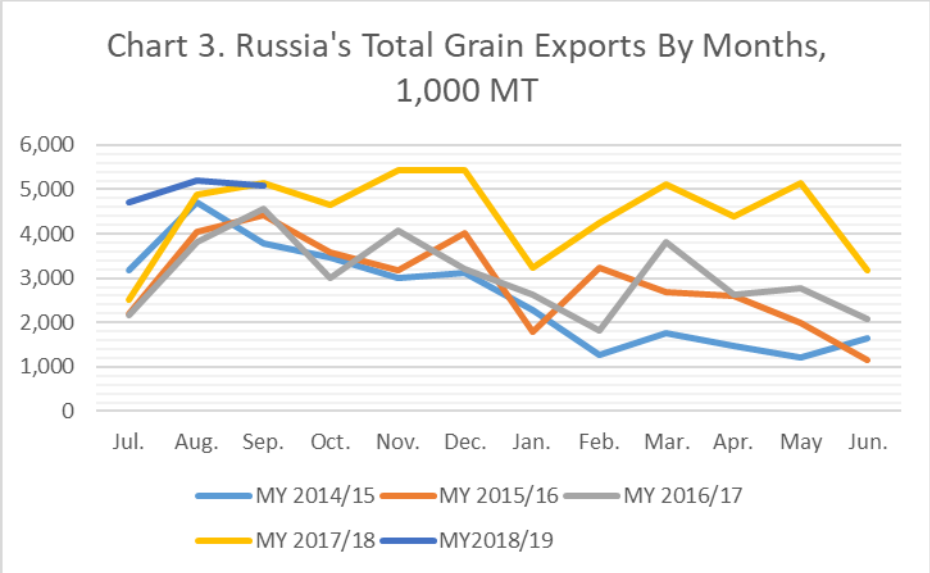
From July 1, 2017, Russian grain traders shipped grain to 96 countries (119 countries in 2017). Russia's Veterinary and Phytosanitary Surveillance Service (VPSS) continued to work with a number of foreign countries to expand export markets for Russian grain. Since the beginning of 2018, nine negotiations were held with officials of a number of foreign countries (including Argentina, Brazil, India, Kuwait, Thailand, and Bangladesh). Recently VPSS has hosted three foreign delegations to discuss safety and quality of grain and products, as well as to demonstrate the Russian system for grain inspection and quality. The foreign delegations include officials from Saudi Arabia and Bangladesh and India. Currently the negotiations are ongoing with the Republic of Algeria and also VPSS is planning to conduct negotiations with China by the end of CY2018. Chinese officials are interested in inspecting the cultivation areas, processing and storage of sorghum, millet, beans and mung beans.

In September, VPSS published information on its official website regarding complaints from the main Russian grain importers, such as Egypt, Indonesia and Vietnam, related to noncompliance with phytosanitary import requirements of these countries. Reportedly, several shipments of wheat were contaminated with weeds, such as thistle and other infested objects as weevil. Quarantine requirements of these countries allow zero tolerance for these objects. As a result, VPSS has started implementation of additional survey and control measures for export shipments of grain, such as full fumigation, including vessels' compartments. Also, during the meeting with Russian grain exporters, VPSS informed them about introducing zero tolerance for pests for grain for human consumption and zero tolerance for Russian centaury *(Acroptylon repens*) for grain shipments destined for export. As a result, Russian exporters are experiencing delays in obtaining phytosanitary certificates. Also, recent press

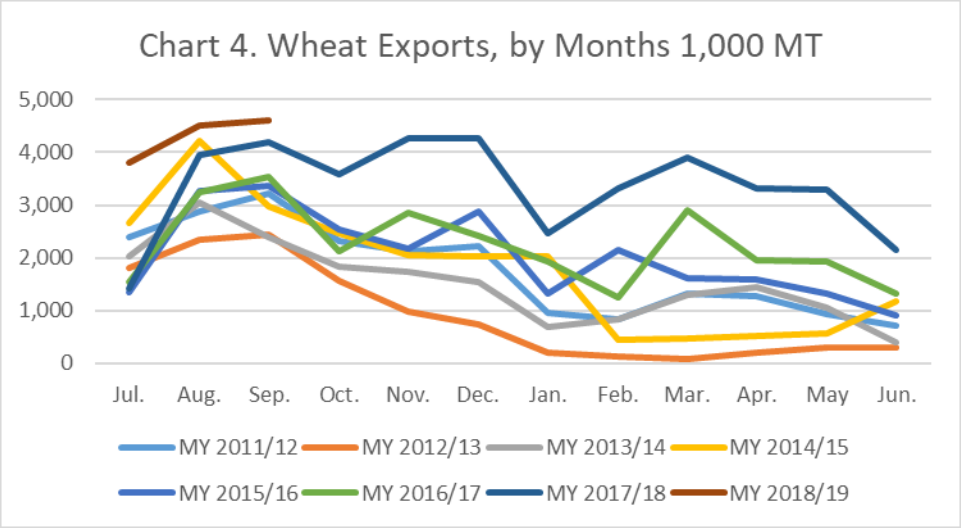
reports indicate that not all vessels are technically equipped to respond to recent VPSS measures. It may result in delays and failure to fulfil contracts as well as incur extra freight charges for exporters. However, VPSS considers that more stringent control measures will minimize risk for complaints from foreign buyers and strengthen Russia's grain export potential.

Egypt, Turkey and Vietnam were the leading buyers of Russian grain in July-September 2018/19. In this period, Egypt imported 2.45 MMT of wheat, Turkey – 1.41 MMT and Vietnam - 1.07 MMT. Other strong export destinations for Russian grains were Bangladesh and Sudan, which imported 0.6 MMT and 0.77 MMT of wheat, respectively. The largest market for barley since the beginning of MY2018/19 was Saudi Arabia where Russia shipped 0.72 MMT, and the largest buyer of corm was Sudan with import equivalent to 0.2 MMT.

Based on the latest official data and reports from industry sources, Post adjusted export data for major grains for MY2018/19. Post estimates total Russian grain exports during MY2018/2019 at 41.4 MMT, or 3.9 MMT less than forecasted in Grain Update in July. Russian grain exports include 33.4 MMT of wheat, 4.2 MMT of barley, 3.57 MMT of corn and 250,000 MT of other grains.



Source: FAS/Moscow based on Russia's Customs data. Exports in September 2018 is based on estimates of industry analysts



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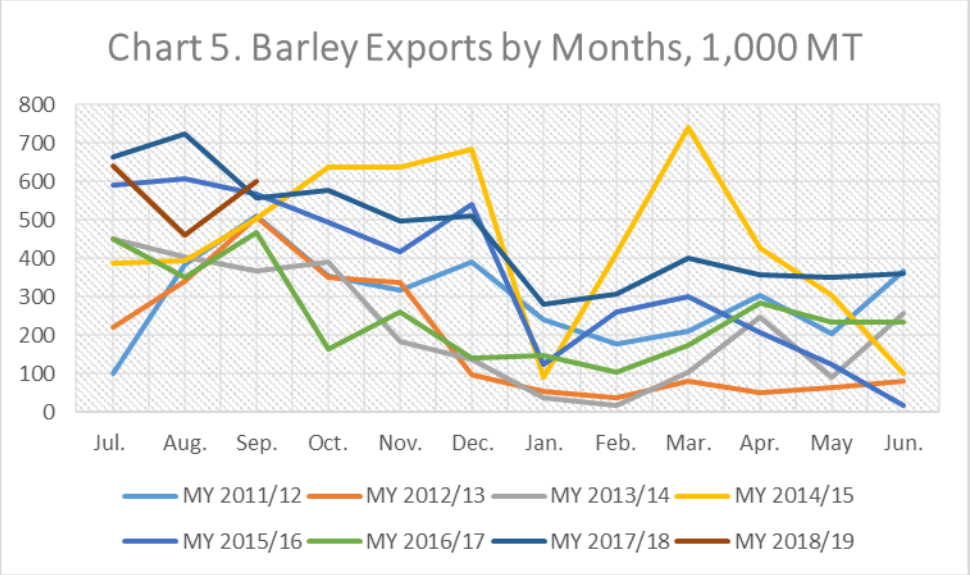


Source: FAS/Moscow based on Russia's Customs data. Exports in September 2018 is based on estimates of industry analysts

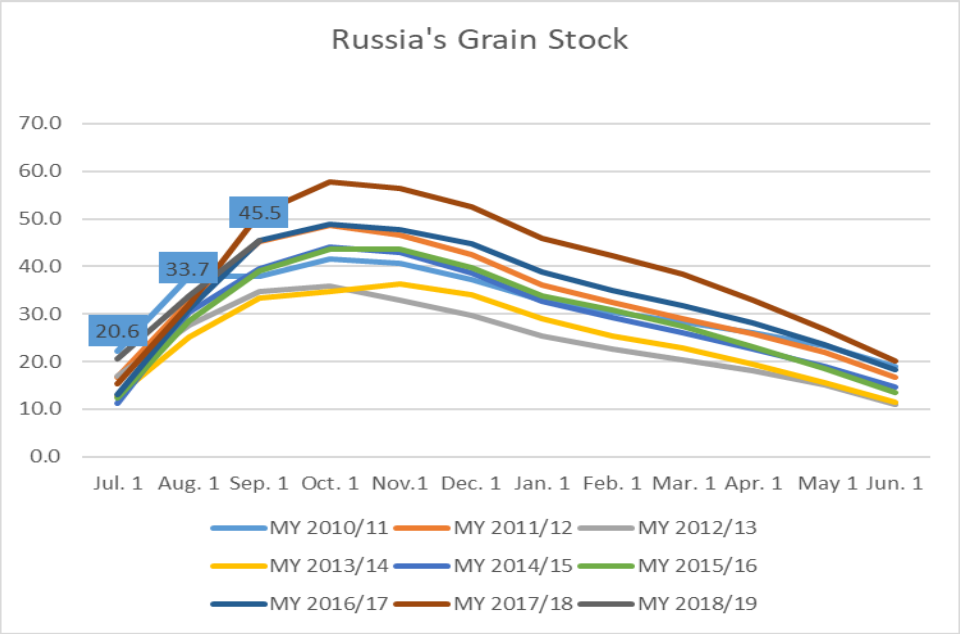
Stocks

According to the Russian Federal Statistical Service (Rosstat) grain carry-in stocks on September 1, 2018 were 45.77 MMT compared to 51.05 MMT on September 1, 2017. Grain stocks at procuring and processing enterprises decreased by 12.5 percent (to 32.9 MMT) while agricultural producers' stocks dropped only by 6.5 percent (to 18.1 MMT).

The highest grain stocks were in the Central and Southern Federal Districts, 13.95 MMT and 11.89 MMT respectively, up by nine percent and 16.5 percent to record high stocks of 2017/2018,

respectively. This concentration of stocks keeps pressure on domestic prices despite the record high export volumes during the first three months of the marketing year.

Chart 6. Russia's Grain Stocks



Source: Russian Statistical Service

Policy

On March 28, 2018, by its Order #129, the Ministry of Agriculture of the Russian Federation has determined the price levels for 2018 grain crop purchases to the State Intervention Fund, but did not announce the beginning of these interventions. For more information, please refer to Policy Section of Gain RS 1813 Grain and Feed Annual.

According to announcements by high level officials of the Ministry of Agriculture in April 2018, the Ministry was planning to carry out purchases of 970,000 MT of grain into the intervention fund, including 740,000 of milling wheat, 150,000 MT of fodder wheat, 20,000 MT of rye, fodder barley of 56,700 MT and 3,300 MT of corn in the period 2018-2010. However, to date the purchases have not been announced.

On October 4, 2018, Russia's Prime Minister Dmitry Medvedev signed Order #2134-p (http://government.ru/docs/34250/) approving sales of up to 1.5 MMT of wheat, rye and fodder barley from the state intervention fund in the domestic and foreign markets. The grain intended for sale was purchased during public procurement interventions in 2008-2016. Sales of 1.5 MT of grain from the intervention fund will begin in the next 2-3 weeks after accreditation of all participants in auctions. Agricultural products will be sold at prices not lower than the market. Money earned will be directed to the federal budget revenues. The Ministry of Agriculture notes that this should balance the federal budget spending on servicing the reserves of the intervention fund and have a regulating effect on the market. Industry experts believe that sales of 1.5 MMT of grain will not have a significant impact on the

market and that dynamics of world prices and ruble devaluation will have more impact on the grain market. Also, grain processors, feed producers and millers are supportive of the measure and expect this will contribute in price stabilization, including for feeds. At this point, it is unclear what volumes if any of this grain will be exported.

On September 12, 2018, the Russian government website dedicated to regulations published draft amendments to decree No. 1595 on the rules for providing grain transportation subsidies from the Federal Budget in 2017 and 2018. According to the new draft, five Russian provinces are approved to receive subsidies from the Federal Budget for the transportation of 200.6 TMT of wheat and barley. The measure is reportedly intended to stimulate grain shipments from the remote areas to the central part of Russia, removing excessive stock in these provinces, stabilize domestic grain prices, and support profit margins of agricultural producers.
For more information, please refer to RS1827 Draft Decree on Grain Transportation Subsidies.

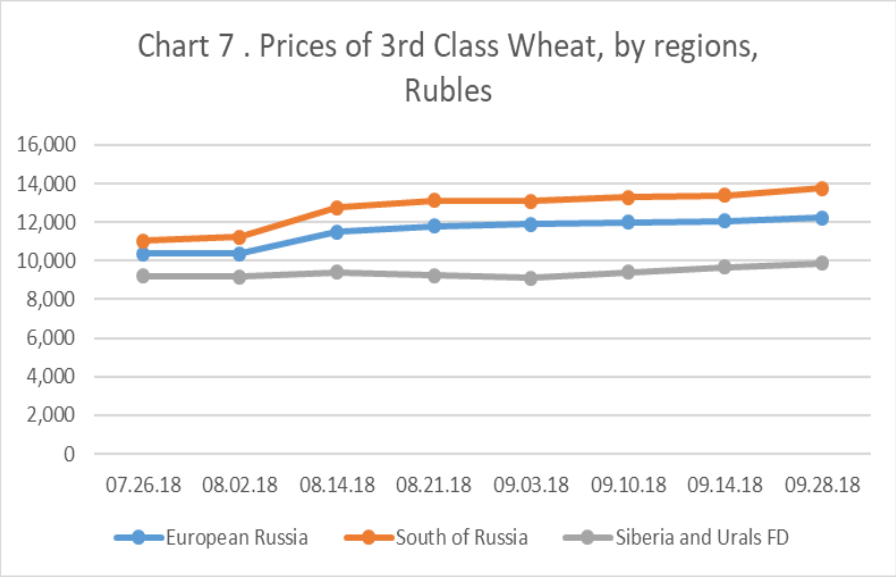
Marketing

Expectations of Russia's lower wheat production are helping to support export prices. In addition, the lower grain harvest in the European Union and Australia contributed to higher demand for Russian wheat. In the beginning of October 2018, in the Black Sea region, the average export price for 4th Class milling wheat increased by USD4/MT in a week and reached USD226/MT. The increase in price is attributed to a strengthening Ruble versus U.S dollar in the last few weeks.

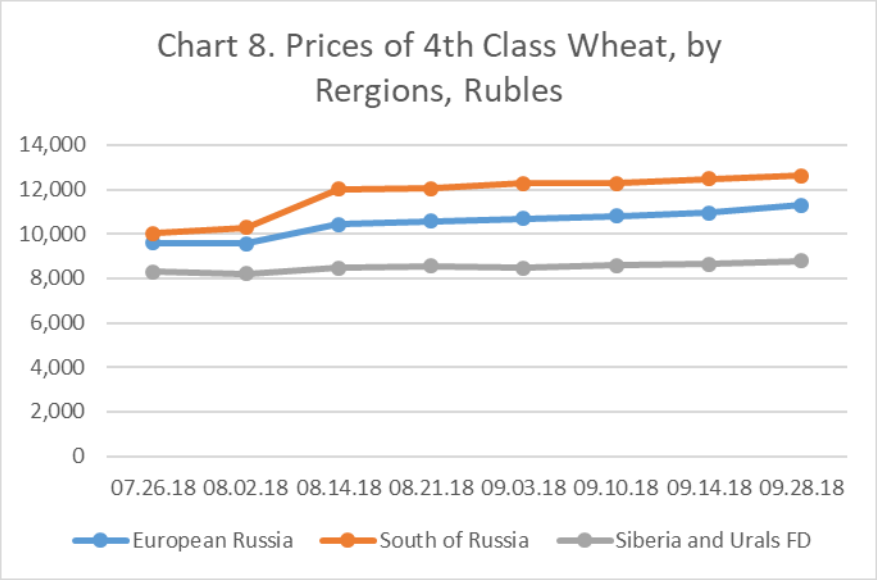
Starting from the beginning of the marketing year, record high export activity maintained firmer domestic prices for food wheat and barley in the European part of Russia, Southern regions and Siberia. Experts report that profits for wheat and barley producers will be higher in MY2018/19 compared to the previous year, when prices hit very low levels due to record high stocks and new crop pressure.

Market prices by region vary and the highest market prices (in Rubles) are in the regions that are close to export points (near the Black Sea), followed by the Central and Volga Valley regions. These regions also export grain, but logistics are more expensive. Meanwhile, prices of wheat in the Urals and West Siberia are the lowest despite the acknowledged high (on average) quality of milling wheat based on protein and gluten content.

As of September, 2018, compared to January 2018 average ruble prices per MT for 3rd Class and 4th Class wheat in the Russian Central FD increased by 22.8 and 38.4 percent, respectively. However, the price gap for 4th Class milling wheat between the Central FD and Siberia is USD40 per MT due to costly rail transportation and logistics to Russia's export points.



Source: FAS/Moscow based on Ministry of Agriculture data



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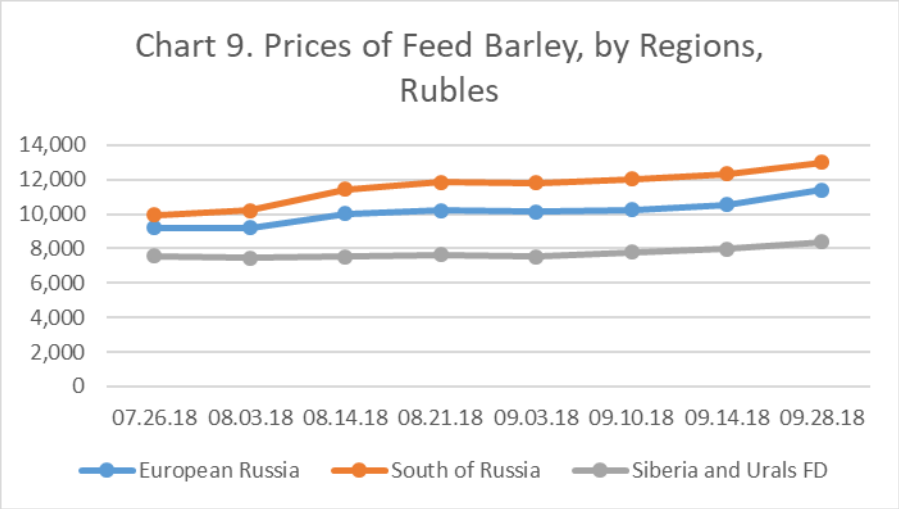

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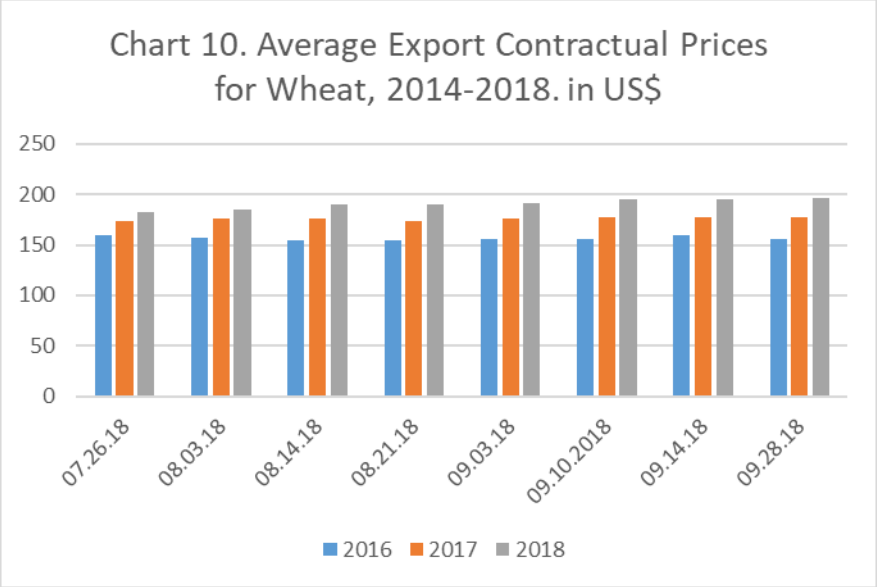

Source: FAS/Moscow based on Ministry of Agriculture data

Chart 11. Dynamics of Ruble to U.S. Dollar Exchange Rate October 2017 - September 2018.

Source: Central Bank of Russia (www.cbr.ru)

Production, Supply and Demand Data

Table 2. Production, Supply and Demand of Wheat, Thousand Metric Tons (TMT), 1,000 HA

Wheat	2016/2017		2017/2018		2018/2019	
Market Begin Year	Jul 2016		Jul 2017		Jul 2018	
Russia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	27004	27004	27343	27358	26000	26200
Beginning Stocks	5607	5607	10830	10830	10872	11230
Production	72529	72529	84992	85300	71000	68500
MY Imports	503	503	465	500	500	500
TY Imports	503	503	465	500	500	500
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	78639	78639	96287	96630	82372	80230
MY Exports	27809	27809	41415	41000	35000	33400
TY Exports	27809	27809	41415	41000	35000	33400
Feed and Residual	17000	17000	21000	21100	18000	17600
FSI Consumption	23000	23000	23000	23300	22500	22300
Total Consumption	40000	40000	44000	44400	40500	39900
Ending Stocks	10830	10830	10872	11230	6872	6930
Total Distribution	78639	78639	96287	96630	82372	80230
Yield	2.6859	2.6859	3.1084	3.1179	2.7308	2.6145
(1000 HA) ,(1000 MT) ,(MT/HA)						

Table 3. Production, Supply and Demand of Barley, Thousand Metric Tons (TMT), 1,000 HA

Barley	2016/2017		2017/2018		2018/2019	
Market Begin Year	Jul 2016		Jul 2017		Jul 2018	
Russia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	7955	7955	7852	7852	8000	7850
Beginning Stocks	741	741	851	864	745	667
Production	17547	17560	20183	20153	17500	16800
MY Imports	214	212	84	50	100	100
TY Imports	226	200	80	50	100	100
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	18502	18513	21118	21067	18345	17567
MY Exports	2951	2949	5873	5600	5300	4200
TY Exports	3626	3550	5800	5600	5300	4200
Feed and Residual	10000	10000	9900	10200	8200	8400
FSI Consumption	4700	4700	4600	4600	4400	4400
Total Consumption	14700	14700	14500	14800	12600	12800
Ending Stocks	851	864	745	667	445	567
Total Distribution	18502	18513	21118	21067	18345	17567
Yield	2.2058	2.2074	2.5704	2.5666	2.1875	2.1401
(1000 HA) ,(1000 MT) ,(MT/HA)						

Table 4. Production, Supply and Demand of Corn, Thousand Metric Tons (TMT), 1,000 HA

Corn	2016/2017		2017/2018		2018/2019	
Market Begin Year	Oct 2016		Oct 2017		Oct 2018	
Russia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	2777	2777	2700	2700	2450	2450
Beginning Stocks	569	569	779	688	358	438
Production	15305	15305	13229	13200	12000	11800
MY Imports	53	53	50	50	50	50
TY Imports	53	53	50	50	50	50
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	15927	15927	14058	13938	12408	12288
MY Exports	5598	5589	5300	5300	4000	3570
TY Exports	5589	5589	5300	5300	4000	3570
Feed and Residual	8600	8700	7500	7300	7200	7500
FSI Consumption	950	950	900	900	900	900
Total Consumption	9550	9650	8400	8200	8100	8400
Ending Stocks	779	688	358	438	308	318
Total Distribution	15927	15927	14058	13938	12408	12288
Yield	5.5113	5.5113	4.8996	4.8889	4.898	4.8163
(1000 HA) ,(1000 MT) ,(MT/HA)						

Table 5. Production, Supply and Demand of Millet, Thousand Metric Tons (TMT), 1,000 HA

Millet	2016/2017		2017/2018		2018/2019	
Market Begin Year	Jul 2016		Jul 2017		Jul 2018	
Russia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	406	406	235	0	250	325
Beginning Stocks	0	0	0	0	0	0
Production	625	625	315	0	325	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	625	625	315	0	325	400
MY Exports	0	0	0	0	0	0
TY Exports	0	0	0	0	0	0
Feed and Residual	375	375	65	0	75	150
FSI Consumption	250	250	250	0	250	250
Total Consumption	625	625	315	0	325	400
Ending Stocks	0	0	0	0	0	0
Total Distribution	625	625	315	0	325	400
Yield	1.5394	1.5394	1.3404	0	1.3	1.2308
(1000 HA) ,(1000 MT) ,(MT/HA)						

Table 6. Production, Supply and Demand of Rice, Milled, Thousand Metric Tons (TMT), 1,000 HA

Rice, Milled	2016/2017		2017/2018		2018/2019	
Market Begin Year	Jan 2017		Jan 2018		Jan 2018	
Russia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	204	204	186	186	181	185
Beginning Stocks	96	96	118	99	105	94
Milled Production	703	703	642	645	620	630
Rough Production	1082	1082	988	992	954	969
Milling Rate (.9999)	6500	6500	6500	6500	6500	6500
MY Imports	244	230	260	260	270	265
TY Imports	244	230	260	260	270	265
TY Imp. from U.S.	1	0	0	0	0	0
Total Supply	1043	1029	1020	1004	995	989
MY Exports	175	180	160	160	160	190
TY Exports	175	180	160	160	160	180
Consumption and Residual	750	750	755	750	760	719
Ending Stocks	118	99	105	94	75	80
Total Distribution	1043	1029	1020	1004	995	989
Yield (Rough)	5.3039	5.3039	5.3118	5.3333	5.2707	5.2378
(1000 HA) ,(1000 MT) ,(MT/HA)						

Table 7. Production, Supply and Demand of Oats, Thousand Metric Tons (TMT), 1,000 HA

Oats	2016/2017		2017/2018		2018/2019	
Market Begin Year	Jul 2016		Jul 2017		Jul 2018	
Russia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	2746	2746	2776	2775	2750	2900
Beginning Stocks	199	199	147	147	163	173
Production	4750	4750	5441	5441	4800	5100
MY Imports	11	11	5	5	5	50
TY Imports	11	11	5	0	5	50
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	4960	4960	5593	5593	4968	5323
MY Exports	13	13	30	20	10	10
TY Exports	14	14	30	10	10	10
Feed and Residual	3200	3200	3800	3800	3300	3550
FSI Consumption	1600	1600	1600	1600	1500	1600
Total Consumption	4800	4800	5400	5400	4800	5150
Ending Stocks	147	147	163	173	158	163
Total Distribution	4960	4960	5593	5593	4968	5323
Yield	1.7298	1.7298	1.96	1.9607	1.7455	1.7586
(1000 HA) ,(1000 MT) ,(MT/HA)						

Table 8. Production, Supply and Demand of Rye, Thousand Metric Tons (TMT), 1,000 HA

Rye	2016/2017		2017/2018		2018/2019	
Market Begin Year	Jul 2016		Jul 2017		Jul 2018	
Russia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	1251	1251	1172	1172	975	1150
Beginning Stocks	158	158	291	289	270	268
Production	2538	2538	2544	2544	1850	2200
MY Imports	4	3	5	5	25	5
TY Imports	4	4	5	0	25	5
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	2700	2699	2840	2838	2145	2473
MY Exports	9	10	70	70	30	50
TY Exports	29	29	70	50	30	50
Feed and Residual	300	300	400	400	100	300
FSI Consumption	2100	2100	2100	2100	1900	2000
Total Consumption	2400	2400	2500	2500	2000	2300
Ending Stocks	291	289	270	268	115	123
Total Distribution	2700	2699	2840	2838	2145	2473
Yield	2.0288	2.0288	2.1706	2.1706	1.8974	1.913
(1000 HA) ,(1000 MT) ,(MT/HA)						