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Grain and Feed Update

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Report Highlights:
Russia is harvesting its largest ever grain crop that may exceed 128 MMT according to official reports. Average wheat and barley yields are 16 to 19 percent higher than in 2016/2017, respectively. FAS/Moscow has increased its wheat production forecast to 83 MMT, one MMT higher than the official USDA number. Meanwhile, corn production is down despite bigger acreage and a good pace of harvesting. FAS/Moscow decreased its corn production outlook for 17/18 to 13.8 MMT, 1.7 million lower than the previous forecast in July 2017. FAS/Moscow estimates that total Russian exports could reach 43.6 MMT in 2017/2018. The Government of Russia intends to launch new support measures aimed to facilitate grain shipments from Siberia, the Urals and the Volga Valley that could feed into export markets.

Post:
Moscow

Commodities:
Wheat

Barley

Corn

Oats

Millet

Rice, Milled

Rye

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:
Russia appears to be harvesting its largest ever grain crop that may exceed 128 MMT. According to the Ministry of Agriculture this year's crop may beat the record crop of 127 MMT in 1978 (exclusive of Crimea). Average wheat and barley yields are up by 16 and 19 percent, respectively, from 2016/2017. FAS/Moscow has increased its wheat production forecast to 83 MMT, one MMT higher than the official USDA number for 2016/2017. Meanwhile, corn production is forecast down despite greater acreage sown last spring and a good pace of harvesting. FAS/Moscow decreased the corn production outlook to 13.8 MMT, 1.7 million lower than our previous estimate (Please see GAIN RS1738 Grain and Feed Update July 2017).

Russia's grain exports from July 1 to October 11, 2017 were 13.6 MMT, a 21 percent increase from the marketing year 2016/2017. FAS/Moscow estimates total Russian exports of 43.6 MMT in 2017/2018, including 33.5 MMT of wheat, 5.7 MMT of barley, 4.2 MMT of corn and 240 TMT of other grains. Looking ahead, the winter planting campaign is going faster than a year ago and the total winter crop acreage in 2018/2019 may increase by 3 percent compared to 2017/2018. However, soil moisture and germination conditions are dubious in the Southern regions of Russia.

The Government of the Russian Federation announced plans to put in place rail transport subsidies intended to facilitate the movement of grain from Siberia, the Urals and the Volga Valley thus supporting grain prices in the most remote grain producing federal districts and increasing export shipments. Separately, the state-run Russian Railways (the RZD) introduced a ten percent rail discount for transportation of grains from Voronezh, Orel, Tambov, Orenburg, Saratov, Novosibirsk and Omsk oblast through June 30, 2018. Market participants anticipate these measures may have very limited effect on Russian grain exports in 2017/2018.

Harvest progress

As of October 12, 2017, Russian farmers have harvested almost 93 percent of all Russia's area sown to grain. This equals almost the same acreage as last year though bunker weight[1] of grain harvested is 13.5 percent higher than in the past year, 130.3 MMT against 114.8 MMT in 2016/2017. Average grain yield is 2.98 MT/HA compared with 2.62 MT/HA in 2016/2017 in bunker weight.

According to the Ministry of Agriculture, Russia will produce 128 MMT this year (120.7 MMT in 2016) that exceeds the previous Russian historical record production of 127 MMT in 1978. In 2017, Russian farmers used half the acreage as in 1978 and got double the yields. The new record crop resulted from a combination of improved production technology and favorable weather this year such as minimal winter kill and good growing conditions during summer in all grain producing areas. Harvest progress, by major grains, follows[2]:

Wheat

As of October 12, 2017 26.46 million hectares of the wheat crop has been harvested, or 97 percent of wheat acreage planned for harvesting. Total production from that acreage was 85.7 MMT in bunker weight that is 14.8 percent more than on the same date last year. Harvesting is almost finished except for in the Siberian federal district where field work was hindered by early snow and cold in the beginning of October.

Average wheat yields are high in all regions making an average 3.24 MT/HA (2.79 MT/HA in 2016), up 16 percent from 2016/2017. The most noticeable high yields are reported in the Volga Valley where they are 28 percent, in the Central federal district where they are up by 20 percent and in the Urals up by 15 percent compared to 2016.

There is no comprehensive data on the quality of the wheat crop, but industry analysts claim that preliminary wheat screenings do not indicate quality concerns on the bumper crop this year. Moreover, protein content and test weight of wheat are higher than last year and total volume of food quality wheat is bigger than in 2016/2017. This may bolster Russian exporters with their efforts to expand to higher quality wheat markets in addition to traditional destinations.

FAS/Moscow has increased Russian wheat production in 2017 from 68 MMT to 83 MMT reflecting good harvesting conditions and significantly higher yields than in our forecast in July 2017.

Barley

As of October 12, 2017, Russian farmers have harvested 20.7 MMT (96 percent of total barley acreage) of barley in bunker weight (18.5 MMT on the same date 2016). Barley yields are noticeably strong in the Volga Valley federal district (31 percent higher than in 2016), the Central federal district (by 28 percent), the Urals (by 16 percent) and the Southern federal district (by 12 percent). Average barley yield is 2.80 MT/HA (2.35 MT/HA in 2016), a 19 percent increase in average from 2016/2017.

[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.

Post has increased the production forecast for barley from 16.5 MMT to 20.5 MMT, matching the official USDA number.

Corn

As of October 12, 2017, Russian farmers have harvested 6.1 MMT of corn from 45 percent of area planned for corn harvest. On the same date last year, 36 percent of the total corn acreage had been harvested. Despite the fact that acreage sown for corn in 2017/2018 was larger than in 2016/2017, the total area planned for harvesting this year is almost equal to the 2016/2017 season. According to the Ministry of Agriculture, six percent of corn fields were cut for green fodder instead of grain due to poor weather conditions during the summer. Unfavorable weather conditions also resulted in lower yields in the main corn producing federal districts accounting for 90 percent of the total corn crop in Russia: in the Central Federal District yield is 6.03 MT/HA (13 percent less than 2016/2017)), the Southern Federal District is 4.49 MT/HA (13 percent less) and the Northern Caucasus 4.59 MT/HA (26 percent less). Average corn yield is 4.79 MT/HA (5.51 MT/HA in 2016/2017), a 13 percent decrease from 2016/2017. A smaller corn crop in the South of Russia will translate into lower export numbers.

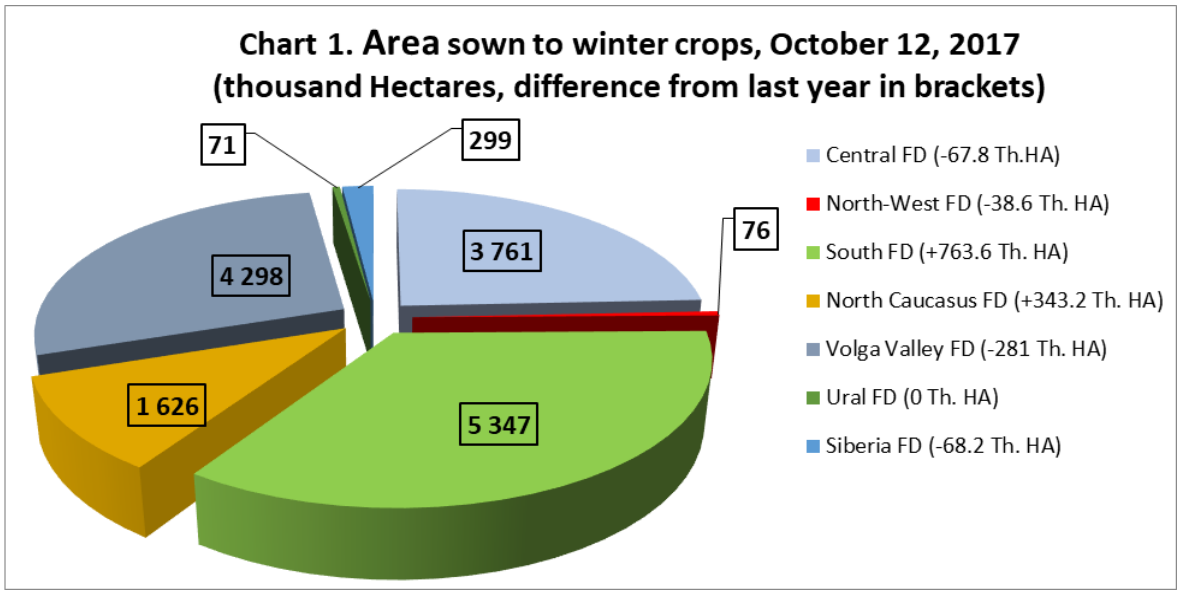
FAS/Moscow forecasts Russian corn production at 13.8 MMT, down by 1.7 MMT from our July estimate. Post is projecting lower production than USDA's official number to more closely reflect decreased corn yield in 2017/2018.

Winter Crop Sowing

As of October 12, 2017, Russia planted 15.5 million hectares out of the total 17.4 million hectares forecast by the Russian Ministry of Agriculture for winter crops (includes winter grains and some fodder crops) that makes up 89 percent out of the total area. At the same date in 2016, 14.5 million hectares had been planted to winter crops out of the total 16.9 million hectares making up 86 percent of the total acreage.

In the Central Federal district sowing of winter crops is 97.7 percent finished. In most parts of the district, the soil moisture was favorable for vegetation of winter crops. In the Southern Federal District and the Northern Caucasus District the winter sowing campaign is going faster than last year, 89.4 percent and 71.8 percent of the total planned area was sown, respectively. In some parts of the districts, soil moisture was not satisfactory for vegetation and in some places seeds were sown in dry soil. The Volga Valley federal district has sown 90 percent of the planned acreage. However the pace of field works is lagging behind last year by six percent due to rainy weather.

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



Source: FAS/Moscow based on Ministry of Agriculture's data

Exports

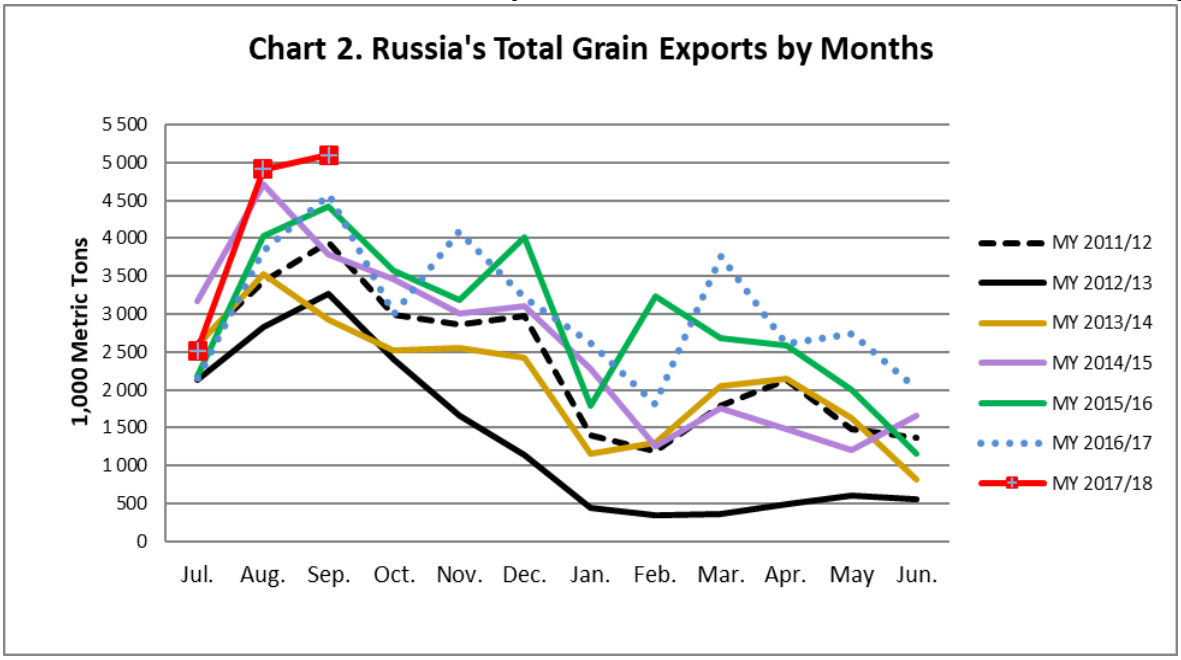
Russia's grain exports from July 1 to October 11, 2017 were 13.6 MMT (a 21 percent increase from marketing year 2016/2017), including 10.5 MMT of wheat, 2.1 MMT of barley and 0.9 MMT of corn. In the beginning of the marketing year exporters gained on the improved price spread between a domestic market oversupplied by carry-in stocks and crop pressure on the one hand and firmer export demand on the other hand. The Ruble exchange rate move was also in favor of grain exporters during July and August when Russian currency changed from RBL/USD 57.03 on June 15, 2017 to RBL/USD 60.75 on August 4, 2017, down almost 7 percent against the U.S. Dollar.

Industry analysts estimate the total capacity of Russia's grain export infrastructure to be from 48 to 55 MMT. However Russian grain exports are limited by such factors as ice conditions on the Azov Sea, loading restrictions at Black Sea terminals and trade obstacles at the biggest destination countries. Also, diversification of grain shipments into various types of grains and quality grades causes additional stress on the existing technical capabilities. From July 1, 2017, Russian grain traders shipped grains to 119 countries (110 countries in 2016) including recently developing export destinations like Algeria and Tunisia. Also, Russian traders are actively pursuing new export opportunities in Southeast Asia. In 2016/2017 Russian grain exports to the region were 1.4 MMT, including countries like Indonesia (344 TMT), Malaysia (68 TMT), the Philippines (17 TMT), Vietnam (931 TMT) and Thailand (64 TMT). Grain exports to Japan and South Korea amounted to 351 TMT and 917 TMT respectively.

The largest buyers of Russian grain in 2016/2017 were Egypt (6.8 MMT), Turkey (3.3 MMT) and Bangladesh (2.0 MMT). Turkey remains the number two buyer of Russian grain in 2017/2018 with 895 TMT of imports in July and August 2017 including 574 TMT of wheat, 133 TMT of barley and 189 TMT of corn. Turkey's imports continue despite additional import requirements on Russian wheat, sunflower oil, dry peas and corn which were put in place October 9th, requiring Russian exporters to obtain a stamp and certify invoices with the Turkish Trade Mission in Russia prior to shipment. Industry analysts predict that this additional hurdle will not affect total volumes of grain exports to

Turkey. Note: Russia has had a ban on Turkish tomato imports since the end of 2015 which reportedly could be lifted as early as November 1.

Post estimates total Russian grain exports during marketing year 2017/2018 at 43.6 MMT, including 33.5 MMT of wheat, 5.7 MMT of barley, 4.2 MMT of corn and 240 thousand MT of other grains.



Source: FAS/Moscow based on Russia's Customs data. Exports in September 2017 is based on estimates of industry analysts

Stocks

According to the Russian Federal Statistical Service (Rosstat) grain carry-in stocks on July 1, 2017 were a record high 15.4 MMT compared to 13.7 MMT on July 1, 2016. Grain stocks at procuring and processing enterprises increased by 19.4 percent (to 9.18 MMT) while agricultural producers' stocks increased only by 2.6 percent (to 6.17 MMT).

On September 1, 2017, Russia's grain stocks amounted to 51.05 MMT (46.19 MMT in 2016). Agricultural producers' grain stocks increased by 4.3 percent and grain stocks at procuring and processing enterprises increased by 23.9 percent compared to September 1, 2016. The highest grain stocks were in the Central and Southern Federal Districts, 15.37 MMT and 14.25 MMT respectively, up by 18.6 percent and 26.9 percent to 2016/2017, 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.

Post increased barley imports as well as feed use and residuals in 2016/2017 to match official USDA numbers. Post increased its barley import forecast for 2017/2017 from 50 TMT to 220 TMT based on new import statistics in July and August 2017.

Post increased carry-in stocks of corn for marketing year 2017/18 beginning October 1, 2017 to 929 TMT of corn, higher than official USDA number, to closely reflect stocks statistics.
Source: FAS/Moscow based on Rosstat data

Policy

The Russian Ministry of Agriculture delayed state grain procurement interventions to December 2017, despite a previously announced plan to commence purchasing 3 MMT in September 2017. As of October 6, 2017, the Intervention Fund had 3.97 MMT of grains in stock located in Siberia, the Urals and the Volga Valley. Industry analysts comment that the cost of carrying this stock is very high though the market effect is rather limited.

The Ministry of Agriculture submitted to the Government of Russia a draft decision on subsidizing railway costs to transport grain from the inner grain producing regions such as Siberia, Urals and Volga Valley toward export points. According to the Ministry, the subsidies should spur shipment of an additional 3 MMT of grain from these federal districts to export terminals thus supporting grain prices in the most price depressed grain producing regions. Industry analysts claim that this measure may have very little effect on grain exports since the rail tariff charged by the RZD is quite a small fraction of the total cost of grain transportation on railroads.

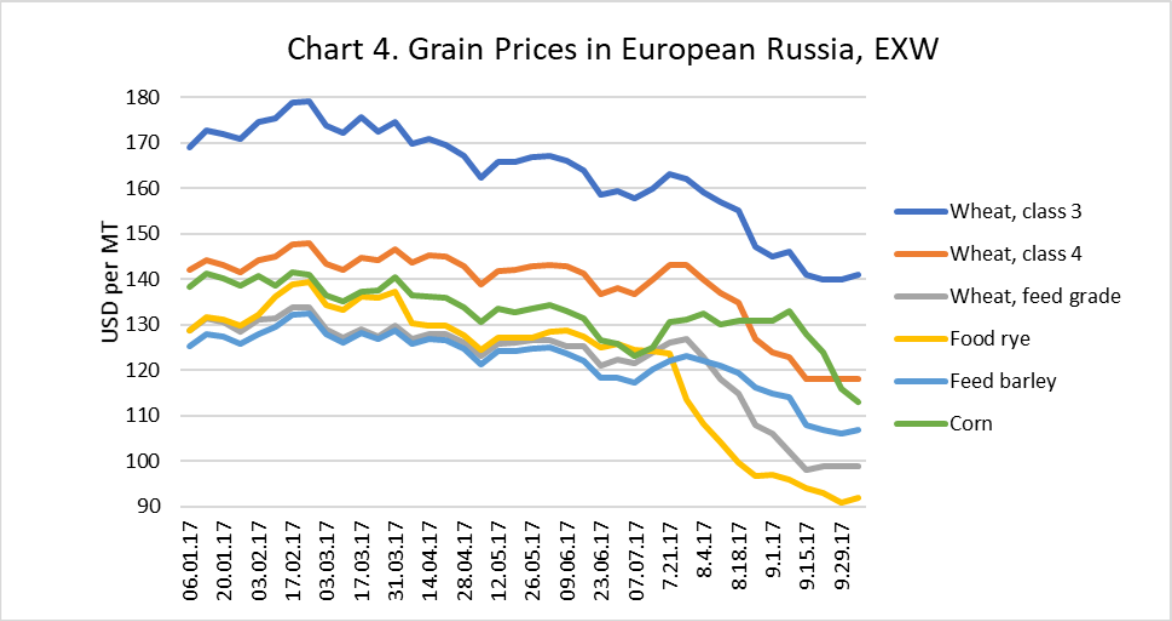
As of October 1, 2017, the state-owned Russian railways (the RZD) introduced a rail tariff discount of 10.3 percent for transportation of grains from Voronezh, Orel, Tambov, Orenburg, Saratov, Novosibirsk and Omsk oblast through June 30, 2018. The RZD comments that such a decision was made "in order to attract additional volumes of grain shipments." According to the RZD, in August shipments of grain by railcars amounted to 1.9 MMT, which is almost 15 percent higher than the same period last year. Market participants doubt that this measure will increase total grain export volumes this season as railways provided less than 30 percent of grain transportation to export terminals in 2016/2017. Truck transportation is an economical alternative to rail due in part to lack of railcars and costly freight.

Marketing

In the Urals, Siberia and Volga Valley domestic grain prices remain weak due to record high stocks and new crop pressure. In the South and Black Soil regions of Russia, high export activity in the beginning of the marketing year maintained firmer domestic prices for food wheat and barley. Feed wheat and corn prices keep decreasing as farmers prefer selling them first turn to free their warehouses for higher value milling wheat and oilseeds.

Corn prices faced strong market pressure despite the modest crop estimate and active export shipments in July-September, a 70 percent increase from 2016/2017. (Note: the marketing year for corn is October to September.) Industry analysts claim that corn profitability was not very attractive for producers in the Central Federal District compared to other grains and oilseeds thus we can see shrinking corn acreage in Russia in 2018/2019.

FAS/Moscow expects that higher barley exports and lower corn production will translate into bigger volumes of feed wheat heading to feedlots. Post increased feed barley usage and residuals by 1.1 MMT to 10.1 MMT, that is by 800 TMT less than the official USDA number. Post increased feed wheat usage and residuals by 3 MMT, to match the official USDA number of 20.5 MMT. Post increased feed corn consumption and residuals to 9.150 MMT to closely reflect steady growth in the poultry sector.



Source: FAS/Moscow based on ProZerno data

Wheat	2015/2016		2016/2017		2017/2018	
Market Begin Year	Jul 2015		Jul 2016		Jul 2017	
Russia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post

Area Harvested	25577	25577	27004	27004	26800	27100
Beginning Stocks	6287	6287	5607	5607	10830	10832
Production	61044	61044	72529	72529	82000	83000
MY Imports	819	819	503	500	500	500
TY Imports	819	819	503	500	500	500
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	68150	68150	78639	78636	93330	94332
MY Exports	25543	25543	27809	27804	32500	33500
TY Exports	25543	25543	27809	27804	32500	33500
Feed and Residual	14000	14000	17000	17000	20500	20500
FSI Consumption	23000	23000	23000	23000	23000	23500
Total Consumption	37000	37000	40000	40000	43500	44000
Ending Stocks	5607	5607	10830	10832	17330	16832
Total Distribution	68150	68150	78639	78636	93330	94332
Yield	2.3867	2.3867	2.6859	2.6859	3.0597	3.0627
(1000 HA) ,(1000 MT) ,(MT/HA)						

Barley	2015/2016		2016/2017		2017/2018	
Market Begin Year	Jul 2015		Jul 2016		Jul 2017	
Russia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	8042	8042	7955	7955	7900	7700
Beginning Stocks	1533	1533	736	836	848	948
Production	17083	17083	17547	17547	20500	20500
MY Imports	61	61	214	214	50	220
TY Imports	99	99	200	200	50	220
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	18677	18677	18497	18597	21398	21668
MY Exports	4241	4241	2949	2949	4500	5700
TY Exports	3735	3735	3550	3550	4500	5700
Feed and Residual	9000	8900	9900	9900	10900	10100
FSI Consumption	4700	4700	4800	4800	4800	4800
Total Consumption	13700	13600	14700	14700	15700	14900
Ending Stocks	736	836	848	948	1198	1068
Total Distribution	18677	18677	18497	18597	21398	21668
Yield	2.1242	2.1242	2.2058	2.2058	2.5949	2.6623
(1000 HA) ,(1000 MT) ,(MT/HA)						

Corn	2015/2016		2016/2017		2017/2018	
Market Begin Year	Oct 2015		Oct 2016		Oct 2017	
Russia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post

Area Harvested	2671	2671	2777	2777	3000	2880
Beginning Stocks	748	748	569	569	524	929
Production	13168	13168	15305	15310	15300	13800
MY Imports	44	44	50	50	50	50
TY Imports	44	44	50	50	50	50
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	13960	13960	15924	15929	15874	14779
MY Exports	4691	4691	5500	5500	5500	4200
TY Exports	4691	4691	5500	5500	5500	4200
Feed and Residual	7800	7800	9000	8600	8900	9150
FSI Consumption	900	900	900	900	900	900
Total Consumption	8700	8700	9900	9500	9800	10050
Ending Stocks	569	569	524	929	574	529
Total Distribution	13960	13960	15924	15929	15874	14779
Yield	4.93	4.93	5.5113	5.5131	5.1	4.7917
(1000 HA) ,(1000 MT) ,(MT/HA)						

Millet	2015/2016		2016/2017		2017/2018	
Market Begin Year	Jul 2015		Jul 2016		Jul 2017	
Russia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	440	440	406	406	250	250
Beginning Stocks	0	0	0	0	0	0
Production	565	565	625	625	400	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	565	565	625	625	400	400
MY Exports	0	0	0	0	0	0
TY Exports	0	0	0	0	0	0
Feed and Residual	320	320	375	375	150	150
FSI Consumption	245	245	250	250	250	250
Total Consumption	565	565	625	625	400	400
Ending Stocks	0	0	0	0	0	0
Total Distribution	565	565	625	625	400	400
Yield	1.2841	1.2841	1.5394	1.5394	1.6	1.6
(1000 HA) ,(1000 MT) ,(MT/HA)						

Oats	2015/2016		2016/2017		2017/2018	
Market Begin Year	Jul 2015		Jul 2016		Jul 2017	
Russia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post

Area Harvested	2829	0	2746	2746	2800	2800
Beginning Stocks	289	289	199	199	147	147
Production	4527	4527	4750	4750	4900	4900
MY Imports	2	2	11	11	5	5
TY Imports	4	4	15	15	5	5
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	4818	4818	4960	4960	5052	5052
MY Exports	19	19	13	13	10	10
TY Exports	16	16	15	15	10	10
Feed and Residual	3000	3000	3200	3200	3300	3300
FSI Consumption	1600	1600	1600	1600	1600	1600
Total Consumption	4600	4600	4800	4800	4900	4900
Ending Stocks	199	199	147	147	142	142
Total Distribution	4818	4818	4960	4960	5052	5052
Yield	1.6002	0	1.7298	1.7298	1.75	1.75
(1000 HA) ,(1000 MT) ,(MT/HA)						

Rye	2015/2016		2016/2017		2017/2018	
Market Begin Year	Jul 2015		Jul 2016		Jul 2017	
Russia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	1249	1249	1251	1251	1200	1200
Beginning Stocks	264	264	155	130	286	263
Production	2084	2084	2538	2538	2500	2600
MY Imports	5	5	3	5	5	5
TY Imports	5	5	5	5	5	5
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	2353	2353	2696	2673	2791	2868
MY Exports	48	48	10	10	50	50
TY Exports	23	23	10	25	50	50
Feed and Residual	200	225	300	300	300	400
FSI Consumption	1950	1950	2100	2100	2100	2100
Total Consumption	2150	2175	2400	2400	2400	2500
Ending Stocks	155	130	286	263	341	318
Total Distribution	2353	2353	2696	2673	2791	2868
Yield	1.6685	1.6685	2.0288	2.0288	2.0833	2.1667
(1000 HA) ,(1000 MT) ,(MT/HA)						

Rice, Milled	2015/2016		2016/2017		2017/2018	
Market Begin Year	Jan 2016		Jan 2017		Jan 2018	
Russia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post

Area Harvested	199	199	204	204	200	200
Beginning Stocks	101	101	96	96	74	74
Milled Production	722	722	703	703	700	700
Rough Production	1111	1111	1082	1082	1077	1077
Milling Rate (.9999)	6500	6500	6500	6500	6500	6500
MY Imports	211	211	200	200	200	200
TY Imports	211	211	200	200	200	200
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	1034	1034	999	999	974	974
MY Exports	198	198	180	180	180	180
TY Exports	198	198	180	180	180	180
Consumption and Residual	740	740	745	745	740	740
Ending Stocks	96	96	74	74	54	54
Total Distribution	1034	1034	999	999	974	974
Yield (Rough)	5.5829	5.5829	5.3039	5.3039	5.385	5.385
(1000 HA) ,(1000 MT) ,(MT/HA)						