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Grain and Feed Update

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Report Highlights:
FAS/Moscow's forecast of Russia's 2013 total grain production remains unchanged at 91 million metric tons for the total grain crop, including 53 MMT of wheat, 17 MMT of barley, 9 MMT of corn, and 12 MMT of other grains and legumes. Grain exports in the marketing year 2013/2014 are forecast at 24 MMT, including 17 MMT of wheat, 3.5 MMT of barley, 2.5 MMT of corn, and slightly less than 1 MMT of other grains and pulses.

Post:
Moscow

Production:

FAS/Moscow's forecast of Russian total grain production remains unchanged at 91 million metric tons for the total grain crop, including 53 MMT of wheat, 17 MMT of barley, 9 MMT of corn, and 12 MMT of other grains and legumes.

Harvest Progress

Harvest in the South of European Russia, the major area of high yielding winter crops (wheat, barley and rapeseeds), began in the middle of June, two weeks earlier than last year. As of July 15, 2013, harvest was in full swing in the Southern and North Caucasus federal districts, in some oblasts of the Central and Volga Valley federal districts and also began in Orenburg oblast (Ural Federal District). By July 15, 2013, Russian farmers harvested 24.7 million metric tons (MMT) of grain[1] (10.9 million metric tons more than in 2012) from 7.8 million hectares, which is 17.2 percent of the planned grain harvest area. According to the Ministry of Agriculture, wheat was harvested on 6.2 million hectares (24.9 percent of the planned wheat harvest area) and production from this area at 20.1 MMT (8.4 MMT more than on the same date last year). The average yield was 3.26 MT/HA compared to 2.54 MT/HA in 2012. Barley was harvested on 630,500 hectares (7.1 percent of planned area), and production on this area was 2.0 MMT (1.1 MMT more than in 2012 on the same date), and the average barley yield was 3.22 MT/HA compared to 2.76 MT/HA last year.

So far the harvest is ahead of the typical schedule, and the yields are higher than last year. However, some industry analysts already expressed concerns that as the harvest progressed and moved to the Volga Valley and Urals, average grain yields have been decreasing much faster than in 2011. In some places yields have even approached the low levels of the drought-impacted 2012 harvest. The Ministry of Agriculture reported that severe soil dryness affected 7.7 million hectares, including 1.9 million hectares (2.6 percent of sown area) where crops (all agricultural crops, not only grain) were completely lost. This dryness was due to abnormally high temperatures in June and the first weeks of July in such provinces as Lipetsk, Voronezh, Ulyanovsk, Orenburg, Samara, Kurgan oblasts and in Republic of Bashkortostan, as well as in some regions of Chelyabinsk, Rostov, Volgograd oblasts and Republics of Kalmykia and Tatarstan. To date, the Ministry of Agriculture has not changed their 2013 grain crop forecast of 95 MMT but may lower their forecast in the future. Dryness is the main reason for a falling crop forecast. Industry analysts also report higher crop damage than usual as the result of the spread of locusts in the south of the Volga Valley, and from other pests and diseases.

Trade:

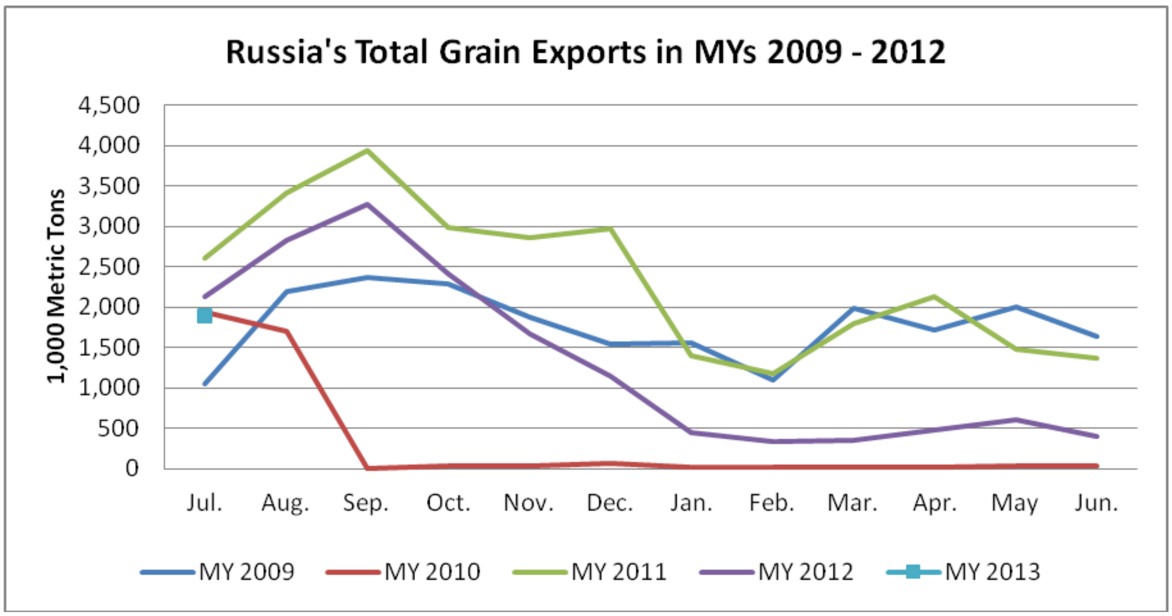
FAS/Moscow forecasts Russia's grain exports for MY 2013/14 at approximately 24 MMT, including 17 MMT of wheat and wheat flour, 3.5 MMT of barley, 2.5 MMT of corn, and about 1 MMT of other grains and pulses. Some industry analysts are skeptical about the high volumes of exports in MY 2013/14 despite the good crop in the South of European Russia, the major grain exporting region. One of the main concerns is potential purchases from Egypt, Russia's key customer (and which accounts typically for half of all of Russia's grain exports in the September-November period). Traders report that so far Egyptian demand has dwindled because of shortages of funds for purchases and the changing political situation in Egypt. Another concern is increased competition from Ukraine in key markets.

[1] All data on harvest progress until the end of harvest is in bunker weight that is 4-8 percent higher than the clean-weight of grain after primary cleaning and drying. Data on the grain crop clean weight is published by the Russian State Statistical Service after the end of the harvest

And lastly, although production is higher this year in European Russia, very low stock levels of old-crop grain (reported officially) may reduce the volumes of early-season shipments. Analysts at Rusagrotrans, Russia's major railway shipper of grain, forecast that in July 2013 (the first and in recent years one of the most active months of grain exports) Russia may export less than 2 MMT, compared to 2.1 MMT in July 2012 and 2.5 MMT in July 2011.

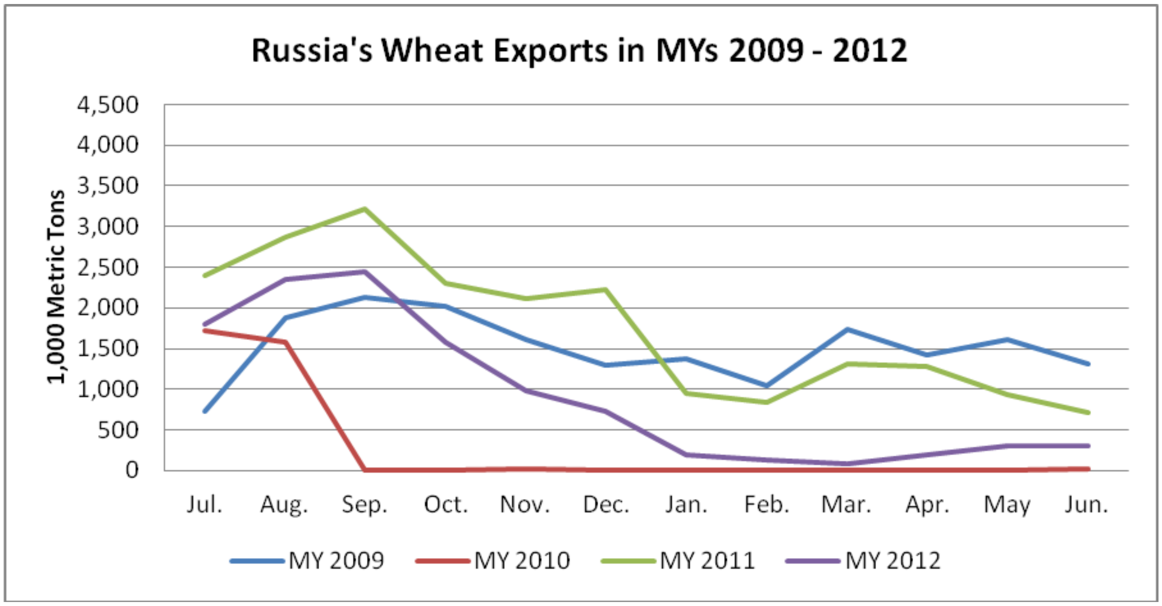
The movement of grain, and especially transshipments through Ukraine, could be impacted this year by the epizootic situation Russia. In response to Foot and Mouth Disease (FMD) outbreaks and continued African Swine Fever (ASF) outbreaks in Southern European Russia, the Ukrainian Deputy Minister of Agrarian Policy and Food, Ivan Bisyuk, stated recently that if Russia's Federal Service for Veterinary and Phytosanitary Survillence (VPSS) does not confirm that it can control the spread of ASF and FMD, then Ukraine may ban the transit of Russian grain to export ports through its territory because of the potential threat of bringing disease into Ukraine[2].

According to preliminary trade data, in MY 2012/13 Russia exported 16.1 MMT of grain, including 11.2 MMT of wheat (including wheat flour in grain equivalent, 2.3 MMT of barley, 2.0 MMT of corn, and 0.9 MMT of other grains and pulses.



Source: Federal Customs Service of the Russian Federation

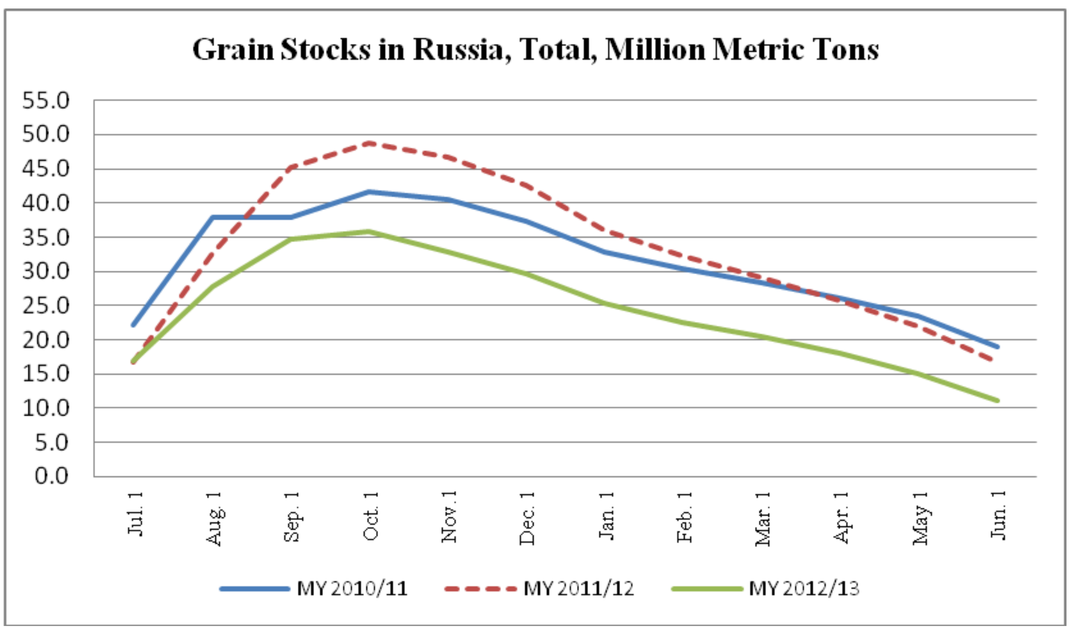
[2] Mass media information : http://www.unian.net/news/583590-ukraina-mojet-zapretit-tranzit-zerna-iz-rossii.html; http://newsradio.com.ua/rus/2013_07_15/Zapret-tranzita-zerna-iz-Rossii-budet-vveden-v-blizhajshie-dni-Minagroprod/; http://korrespondent.eu/ekonomika/obschestvo-ekonomika/852269



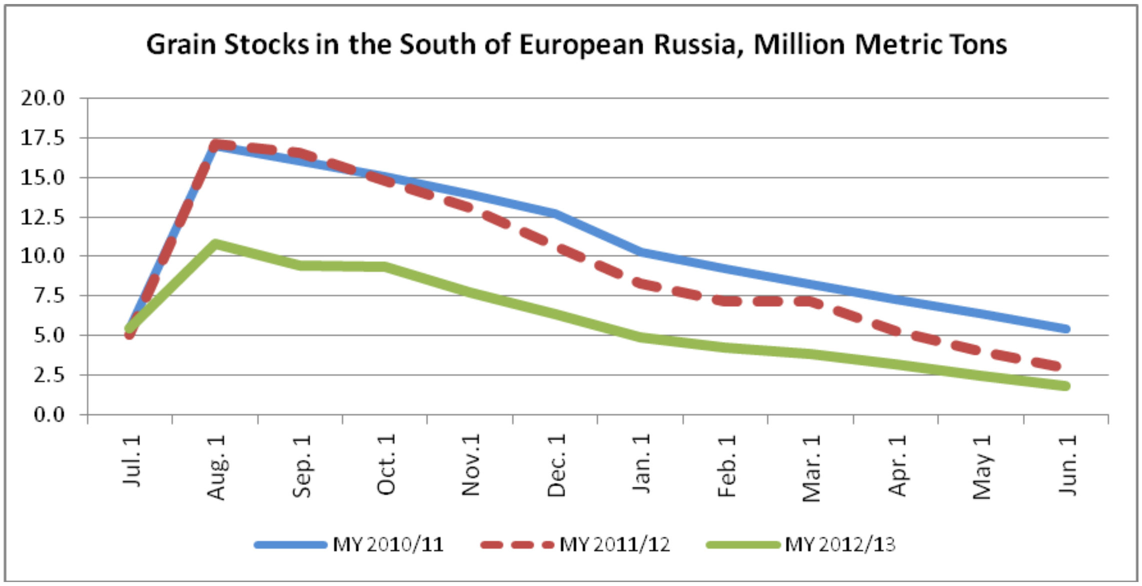
Source: Federal Customs Service of the Russian Federation

Stocks:
According to official data (Rosstat), on June 1, 2013, grain stocks were the lowest in the last three years: 11.0 MMT, compared to 16.8 MMT on June 1st, 2012, and 19.0 MMT on June 1st, 2011.

Stocks in the South of European Russia (Southern and North Caucasus federal districts), the key exporting region of Russia, dropped to 1.8 MMT, compared to 2.9 MMT on June 1st 2012 and 5.4 MMT on June 1st 2011.



Source: State Statistical Service of the Russian Federation

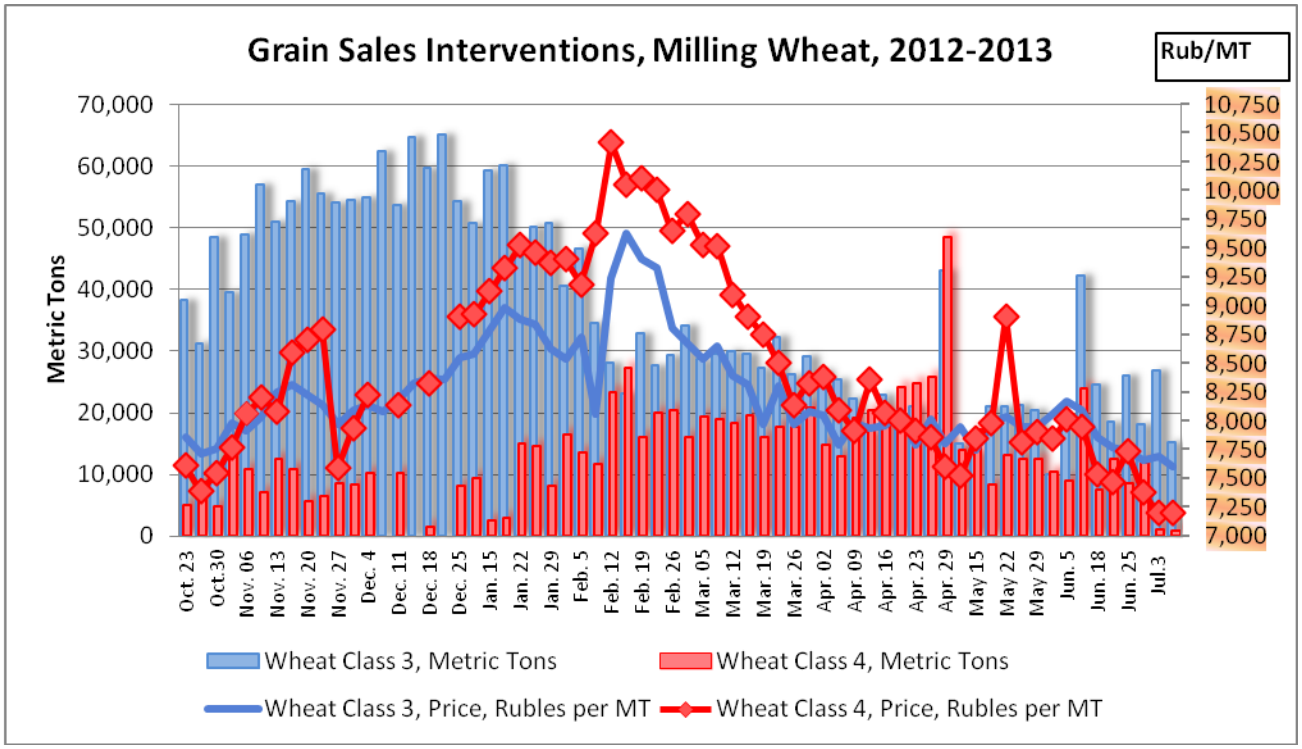


Source: State Statistical Service of the Russian Federation

Policy:
Grain interventions continue at a slow pace with a steady decrease in the volumes of grain sold. Since the beginning of intervention sales on October 23rd, 2012, the Russian Government has sold 3,687,166 metric tons (MT) of grain, including 2,373,628 MT of wheat Class 3; 867,952 MT of wheat Class 4, and 159,288 MT of wheat Class 5. In addition, 101,195 MT of food quality rye and 185,103 MT of fodder barley were sold during intervention. According to Nikolay Fedorov, Russian Minister of Agriculture, at the beginning of intervention sales the Intervention Fund had 4.6 MMT of grain (all grain), and by the end of June, 1.38 MMT of grain remain. Prices for intervention sales spiked in February, since then sale prices began to decline, and by the end of June these prices had fallen below those at the start of intervention sales in October 2012. For example:

- At the last session on July 10, 2013, wheat Class 3 was sold for 7,600 rubles per MT (average price), while at the beginning of intervention sales on October 23rd the average price for wheat of milling quality, Class 3, was 7,857 rubles per MT, and reached the maximum of 9,628 rubles per MT on February 13, 2013;
- Wheat Class 4 was sold at 7,200 rubles per MT on July 10th, 2013. At the beginning of intervention, it was sold at 7,611 rubles per MT, and its price reached the peak of 10,111 rubles per MT on February 19, 2013.

According to Ilya Shestakov, the Deputy Minister of Agriculture, grain procurement to replenish the Intervention Fund may begin in September- October 2013 after the harvesting of major crops is completed. Previously Minister Nikolay Fedorov reported that the Ministry of Agriculture has 5 billion rubles ($155 million) in the budget to conduct grain intervention purchases of the 2013 crop. However, the Ministry calculated that in order to buy 5-6 MMT of grain to the Intervention Fund, the government would need approximately 30 billion rubles ($923 million) of additional credit resources. He stated that addional details on the timing, and amount of intervention purchases would be forthcoming.

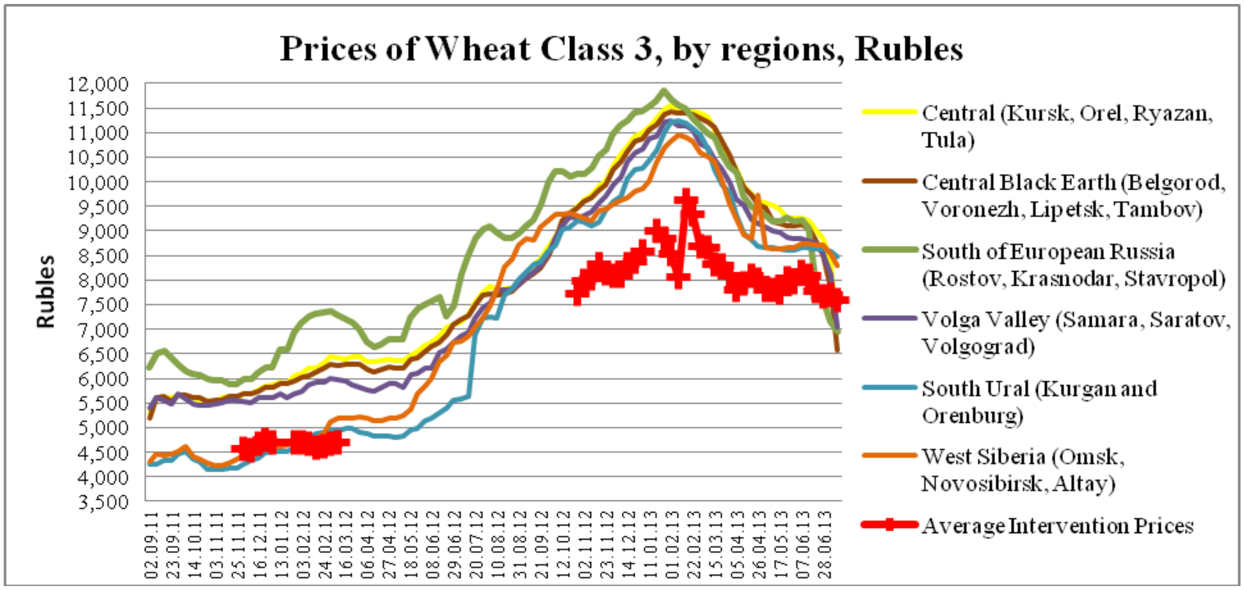


Source: FAS/Moscow on the basis of daily information on intervention sales from www.rts.micex.ru

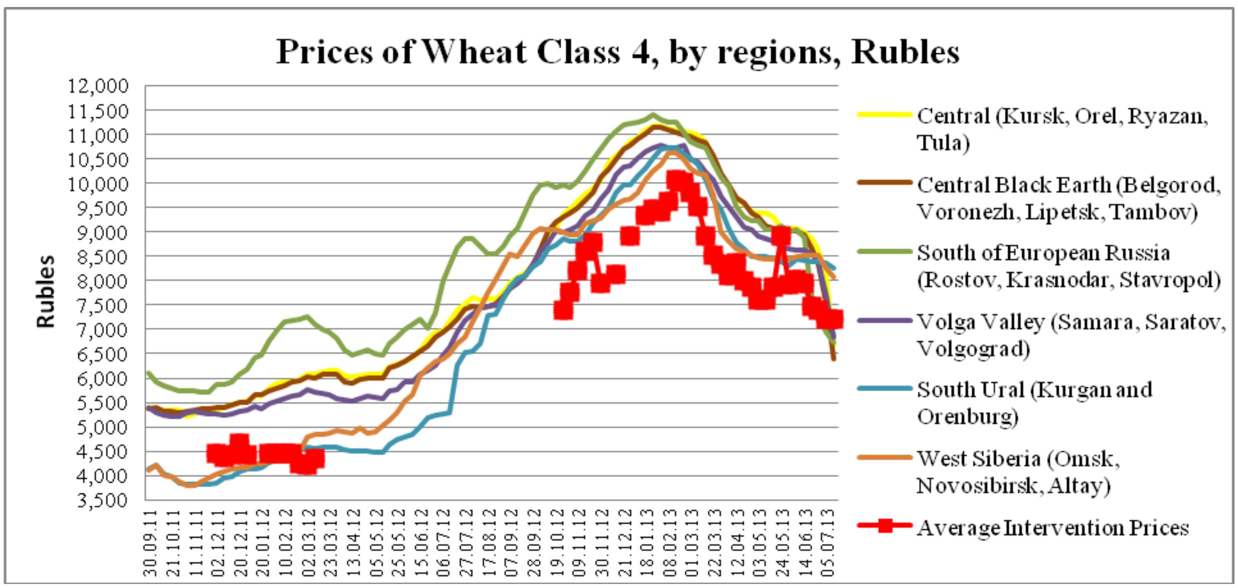
Marketing:

Domestic grain prices have continued decreasing as a result of better grain crop prospects this year. Prices in European Russia have seen the greatest drop, as the new crop has begun to be harvested. From end of May through July 10, 2013, prices of wheat Class 4 (which comprises the biggest portion of wheat exports) decreased in the South of European Russia by 25 percent to 6,733 rubles ($207) per MT, in the Central Black Earth territories – by 29 percent to 6,388 rubles ($196) per MT, and in the Central European Russia – by 26 percent to 6,683 rubles ($206) per MT.

Prices in key spring wheat producing areas had much smaller declines, as the harvest in these areas is still a number of weeks away. Prices in the South Urals and in Siberia have decreased by 1 percent and 5 percent to 8,263 rubles ($254) and 8,067 rubles ($248) per MT respectively.

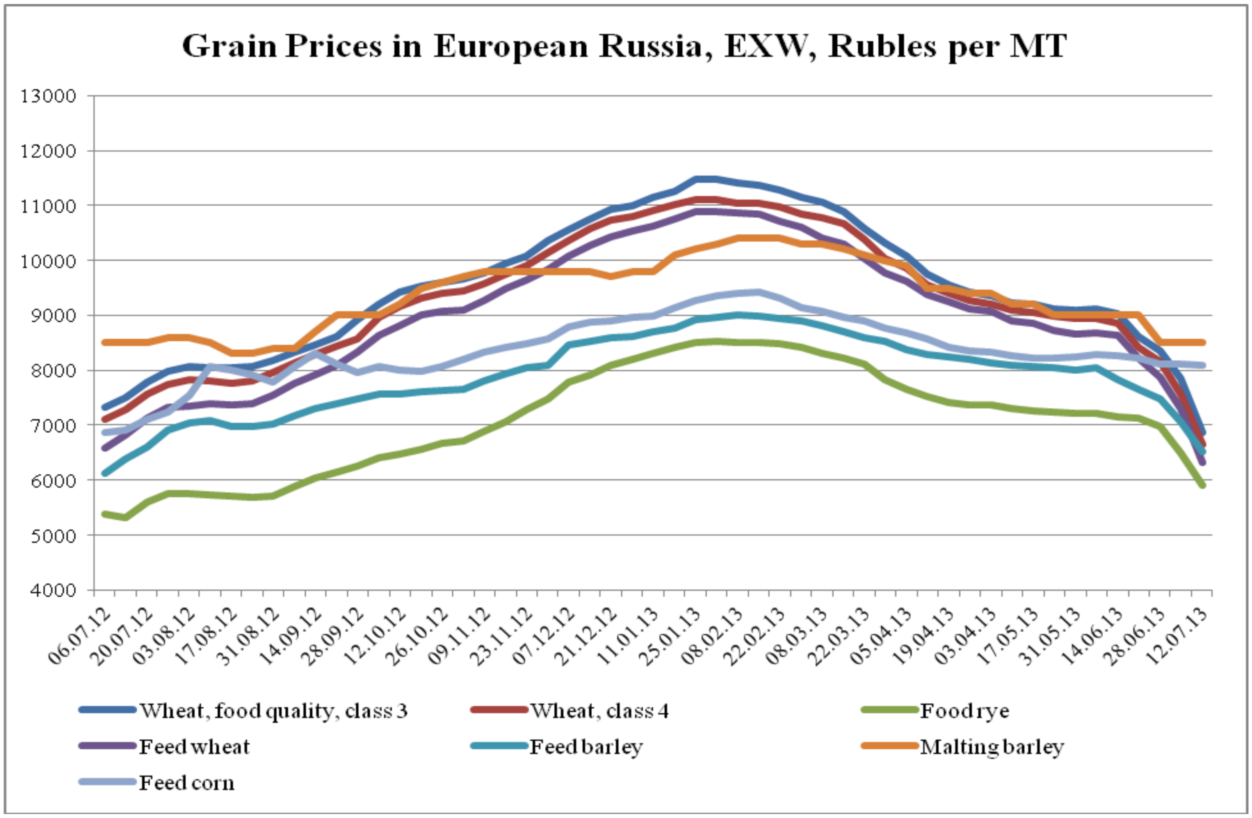


Source: FAS/Moscow and ProZerno



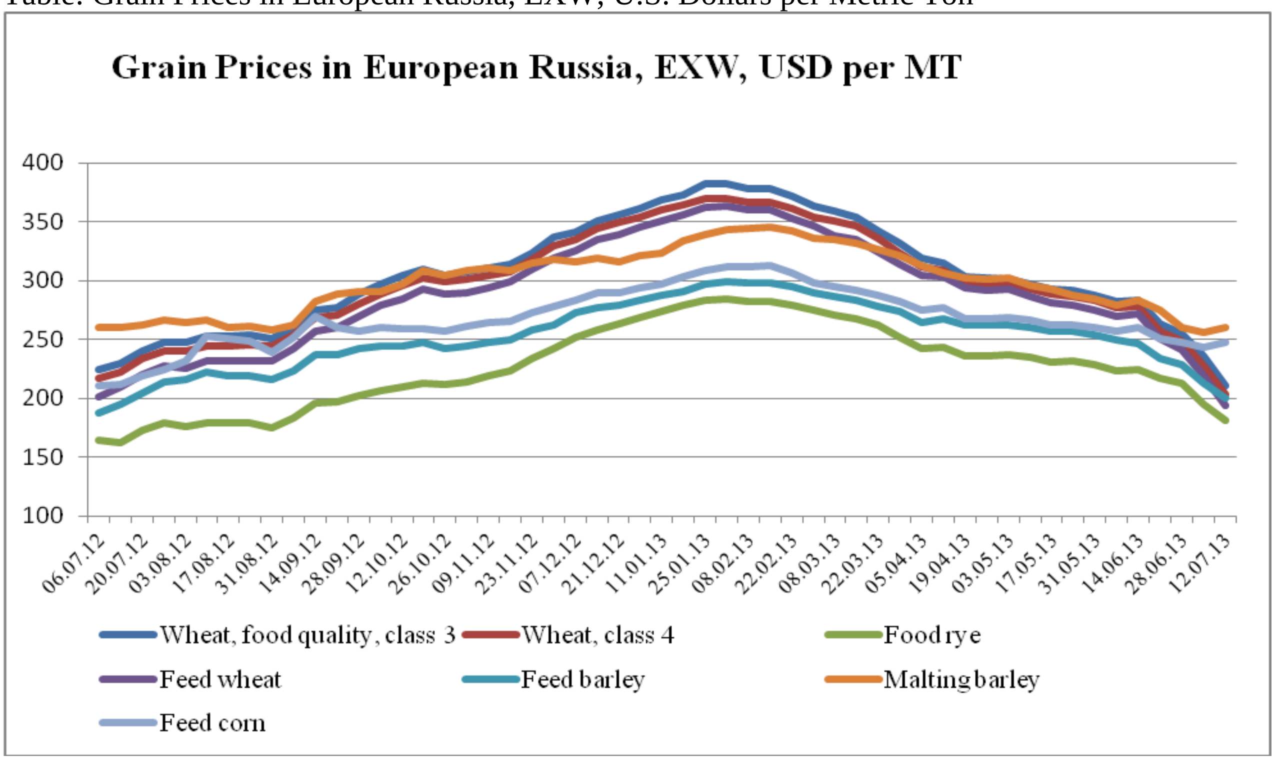
Source: FAS/Moscow and ProZerno

Industry analysts are also anxious because -- despite quite abundant crop in the Southern European Russia -- the gluten content of wheat is lower than last year. Thus, it will be more difficult to find top grade food quality wheat for exports compared to last year.



Source: ProZerno

Table: Grain Prices in European Russia, EXW, U.S. Dollars per Metric Ton



Source: ProZerno

Production Supply and Demand Data

PSD for Wheat

Wheat Russia	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Jul 2011		Market Year Begin: Jul 2012		Market Year Begin: Jul 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	24,814	24,885	21,296	21,296	24,000	24,000
Beginning Stocks	13,736	13,271	10,899	10,434	5,269	5,454
Production	56,240	56,240	37,720	37,720	54,000	53,000
MY Imports	550	550	1,400	1,400	500	500
TY Imports	550	550	1,400	1,400	500	500
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	70,526	70,061	50,019	49,554	59,769	58,954
MY Exports	21,627	21,627	11,200	11,200	17,000	17,000
TY Exports	21,627	21,627	11,200	11,200	17,000	17,000
Feed and Residual	15,500	15,500	11,900	11,400	14,500	13,500
FSI Consumption	22,500	22,500	21,650	21,500	22,000	22,000
Total Consumption	38,000	38,000	33,550	32,900	36,500	35,500
Ending Stocks	10,899	10,434	5,269	5,454	6,269	6,454
Total Distribution	70,526	70,061	50,019	49,554	59,769	58,954
1000 HA, 1000 MT, MT/HA						

PSD for Barley

Barley Russia	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Jul 2011		Market Year Begin: Jul 2012		Market Year Begin: Jul 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	7,695	7,695	7,631	7,760	8,200	8,000
Beginning Stocks	1,386	1,380	848	842	650	644
Production	16,938	16,938	13,952	13,952	17,500	17,000
MY Imports	368	368	250	250	250	250
TY Imports	372	372	250	250	250	250
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	18,692	18,686	15,050	15,044	18,400	17,894
MY Exports	3,544	3,544	2,300	2,300	3,800	3,500
TY Exports	3,668	3,668	2,300	2,300	3,800	3,500
Feed and Residual	9,800	9,800	7,700	7,700	8,500	9,000
FSI Consumption	4,500	4,500	4,400	4,400	4,800	4,400
Total Consumption	14,300	14,300	12,100	12,100	13,300	13,400
Ending Stocks	848	842	650	644	1,300	994
Total Distribution	18,692	18,686	15,050	15,044	18,400	17,894
1000 HA, 1000 MT, MT/HA						

PSD for Corn

Corn Russia	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Oct 2011		Market Year Begin: Oct 2012		Market Year Begin: Oct 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	1,604	1,550	1,937	1,937	2,150	2,200
Beginning Stocks	72	94	450	297	413	290
Production	6,962	6,680	8,213	8,213	9,500	9,000
MY Imports	43	50	50	80	50	50
TY Imports	43	50	50	80	50	50
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	7,077	6,824	8,713	8,590	9,963	9,340

MY Exports	2,027	2,027	2,000	2,000	2,500	2,500
TY Exports	2,027	2,027	2,000	2,000	2,500	2,500
Feed and Residual	3,900	3,800	5,500	5,500	6,100	5,600
FSI Consumption	700	700	800	800	900	900
Total Consumption	4,600	4,500	6,300	6,300	7,000	6,500
Ending Stocks	450	297	413	290	463	340
Total Distribution	7,077	6,824	8,713	8,590	9,963	9,340
1000 HA, 1000 MT, MT/HA						

PSD for Rye

Rye Russia	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Jul 2011		Market Year Begin: Jul 2012		Market Year Begin: Jul 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	1,522	1,520	1,421	1,450	1,800	1,500
Beginning Stocks	250	282	129	163	111	105
Production	2,967	2,967	2,132	2,132	3,500	3,000
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	3,217	3,249	2,261	2,295	3,611	3,105
MY Exports	238	236	150	140	100	100
TY Exports	284	284	125	140	100	100
Feed and Residual	200	200	100	100	300	200
FSI Consumption	2,650	2,650	1,900	1,950	2,900	2,500
Total Consumption	2,850	2,850	2,000	2,050	3,200	2,700
Ending Stocks	129	163	111	105	311	305
Total Distribution	3,217	3,249	2,261	2,295	3,611	3,105
1000 HA, 1000 MT, MT/HA						

PSD for Oats

Oats Russia	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Jul 2011		Market Year Begin: Jul 2012		Market Year Begin: Jul 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	2,930	2,930	2,856	2,850	3,000	2,800
Beginning Stocks	167	194	485	514	202	236
Production	5,332	5,334	4,027	4,027	5,000	4,500
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	5,499	5,528	4,512	4,541	5,202	4,736
MY Exports	14	14	10	5	10	0
TY Exports	18	15	10	5	10	0
Feed and Residual	3,500	3,500	2,900	2,900	3,500	3,000
FSI Consumption	1,500	1,500	1,400	1,400	1,500	1,500
Total Consumption	5,000	5,000	4,300	4,300	5,000	4,500
Ending Stocks	485	514	202	236	192	236
Total Distribution	5,499	5,528	4,512	4,541	5,202	4,736
1000 HA, 1000 MT, MT/HA						

PSD for Rice, Milled

Rice, Milled Russia	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Jan 2012		Market Year Begin: Jan 2013		Market Year Begin: May 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post

Area Harvested	207	207	192	185	185	195
Beginning Stocks	89	89	28	25	22	19
Milled Production	686	686	684	684	650	690
Rough Production	1,055	1,055	1,052	1,052	1,000	1,062
Milling Rate (.9999)	6,500	6,500	6,500	6,500	6,500	6,500
MY Imports	194	194	200	200	220	230
TY Imports	194	194	200	200	220	230
TY Imp. from U.S.	4	0	0	20	0	20
Total Supply	969	969	912	909	892	939
MY Exports	281	274	210	210	180	220
TY Exports	281	274	210	210	180	220
Consumption and Residual	660	670	680	680	690	700
Ending Stocks	28	25	22	19	22	19
Total Distribution	969	969	912	909	892	939
1000 HA, 1000 MT, MT/HA						

PSD for Millet

Millet Russia	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Jul 2011		Market Year Begin: Jul 2012		Market Year Begin: Jul 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	632	630	337	335	500	400
Beginning Stocks	0	0	0	0	0	0
Production	878	878	334	334	600	500
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	878	878	334	334	600	500
MY Exports	0	0	0	0	0	0
TY Exports	0	0	0	0	0	0
Feed and Residual	600	578	100	100	300	200
FSI Consumption	278	300	234	234	300	300
Total Consumption	878	878	334	334	600	500
Ending Stocks	0	0	0	0	0	0
Total Distribution	878	878	334	334	600	500
1000 HA, 1000 MT, MT/HA						