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Intervention Prices for 2015 Crop Increased

Report Categories:

Grain and Feed

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Report Highlights:

On October 5, 2015, the Russian Minister of Agriculture increased the level of prices for 2015 grain crop purchases to the State Intervention Fund and made wheat prices equal for all federal districts. The Intervention Fund price for wheat Class 3 was set at 10,900 rubles per metric ton (MT), the price for wheat Class 4 was set at 10,400 rubles per 1 MT, and the price for wheat Class 5 (feed quality) was set at 8,800 rubles for all federal districts of the Russian federation. Intervention prices for food quality rye, fodder barley and corn were set at 7,400 rubles, 7,500 rubles and 6,900 rubles respectively.

General Information:

The Russian Ministry of Agriculture issued Order No. 460 of October 5, 2015 “On Amendments to the Order of the Ministry of Agriculture No. 119 of March 31, 2015”¹. Order No. 460 increased prices for 2015 grain crop purchases to the State Intervention Fund from levels that were determined for 2015 crop in March 31, 2015². Order No. 460 also equalized wheat prices of the same class for all federal districts, while previous prices were different for the European part of Russia and for Siberia/Ural. Thus, in accordance with the new Order, purchases of 2015 grain crop to the State Intervention Fund (through auctions) will be based on the following prices:

- Milling wheat Class 3 – 10,900 rubles (\$175.81³) per 1MT;
- Milling wheat Class 4 – 10,400 rubles (\$167.74) per 1 MT;
- Wheat Class 5 (feed) – 8,800 rubles (\$141.94) per 1 MT;
- Food Rye (Group “A”) – 7,400 rubles (\$119.35) per 1 MT;
- Fodder barley – 7,500 rubles (\$120.97) per 1 MT; and
- Corn (grain) – 6,900 rubles (\$111.29) per 1 MT.

Background

The new target prices for the milling wheat classes 3 and 4, food rye and fodder barley are at the highest level in the 10 year history of grain purchases to the State Intervention Fund. Prices for wheat Class 5 (feed quality) are only slightly below its highest level a year ago, and the price for corn is the same as last year.

The original purpose of grain purchases to the State Intervention Fund was to support farmers when market prices decrease. However, in fall 2014 grain sales to the State Intervention Fund decreased because market prices were higher than intervention prices⁴. In December 22, 2014, the Ministry of Agriculture sharply increased prices for intervention purchases, and farmers started selling grain to the Fund. From December 22, 2015 through July 1, 2015 (the end of grain marketing year 2014/15), farmers sold to the State Intervention Fund almost 0.89 MMT of grain, or 75 percent of all grain sold to the Fund in MY 2014/15. The target prices for grain purchases from the 2015 crop to the Intervention Fund, which the Ministry set in March 2015, were only slightly below the December 22, 2014 level. However, farmers still preferred to sell their new crop in the market, because the floating ruble has kept grain exports high and supported domestic grain market prices. From August 20, 2015 (start of procurement interventions) through October 6, 2015, the last intervention, farmers only sold 32,670 MT of grain to the State Intervention Fund. Increased target prices may stimulate farmers to increase sales to the State Intervention Fund.

Earlier, Russian Minister of Agriculture reported that in MY 2015/16 the State Intervention Fund could purchase up to 2 MMT of grain. Given the increased prices, purchases to the Intervention Fund are likely to be less than the projected 2 MMT. Industry analysts consider that the effect of increased intervention prices on filling the State Fund or on support of farmers will not be significant.

¹ The Order is posted on the Ministry of Agriculture’s web-site: www.mcx.ru

² See FAS/Moscow GAIN report [Intervention Prices for 2015 Grain Crop_4-2-2015.pdf](#)

³ All transactions in Russia are in rubles. In 2014 and 2015 ruble exchange rate to the U.S. dollar has been very volatile, and price in the U.S. dollars are given only for reference. The exchange rate is 62 rubles per \$1, as it is on October 20, 2015.

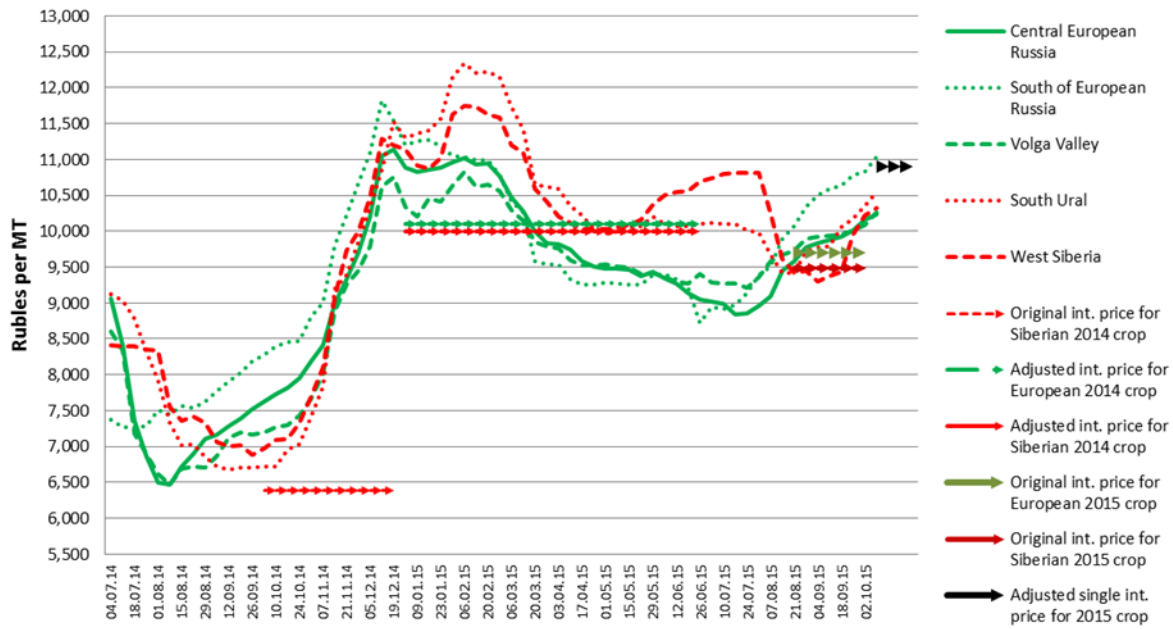
⁴ Russian grain prices in rubles began increasing sharply fanned by export demand and ruble devaluation.

Table 1. Target Prices for Intervention Purchases, Rubles per 1 MT

| | March 31, 2014 prices for crop 2014 | December 22, 2014 prices for crop 2014 | March 31, 2015 prices for crop 2015 | Oct. 5, 20 15 pri ce s for cr op 20 15 |
|--|---|--|---|---|
| Wheat Class 3 | | | | |
| - Central, North-Western, Volga Valley, North Caucasus, Southern | 6,750 | 10,000 | 9,700 | 10 ,9 00 |
| - Ural, Siberia, Far Eastern | 6,400 | 10,000 | 9,500 | |
| Wheat Class 4 | | | | |
| - Central, North-Western, Volga Valley, North Caucasus, Southern | 6,450 | 9,300 | 8,900 | 10 ,4 00 |
| - Ural, Siberia, Far Eastern | 6,200 | 9,200 | 8,700 | |
| Wheat Class 5 (feed) | | | | |
| - Central, North-Western, Volga Valley, North Caucasus, Southern | 6,100 | 9,000 | 8,600 | 8, 80 0 |
| - Ural, Siberia, Far Eastern | 6,000 | 9,100 | 8,400 | |
| Food rye (Group "A") | 5,100 | 5,100 | 6,400 | 7, 40 0 |
| Fodder barley | 5,150 | 5,150 | 6,500 | 7, 50 0 |
| Corn (grain), Class 3 | 5,600 | 5,600 | 6,900 | 6, 90 0 |

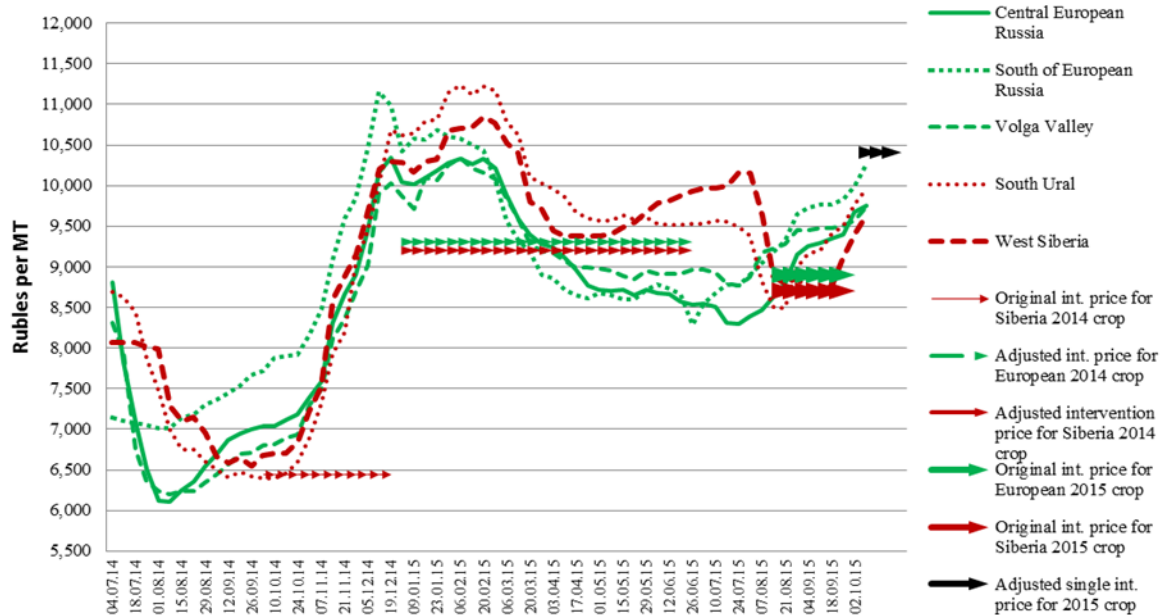
Source: Ministry of Agriculture

Market Prices of Wheat Class 3, by regions, and Intervention Prices



Source: ProZerno and www.namex.org

Market Prices of Wheat Class 4, by Regions, and Intervention Prices



Source: ProZerno and www.namex.org