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Russian Grain Exports Continue to Surge

Report Categories:
Grain and Feed

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Report Highlights:
As a result of higher grain production, weaker export competition, and strong foreign demand, Russia's grain exports have soared during the first 3 months of the 2011/12 marketing year, and are estimated at nearly 10 million tons during this period. Overall grain exports are forecasted at 21.7 MMT, including 19.0 MMT of wheat, 1.8 MMT of barley, and 0.6 MMT of corn. Some Russian officials have threatened to impose export tariffs if exports exceed 23-24 MMT (which would be a record) in MY 2011. Winter sowing for 2012 production is continuing, and the Ministry of Agriculture estimates winter sown area (primarily grain) will be up more than 10 percent from last year.

Production:

FAS Moscow forecasts total grain crop at 90.2 MMT, including 56.0 MMT of wheat, 16.6 MMT of barley, 6 MMT of corn, and 11.6 MMT of other grains and legumes.

According to Russian top officials, grain production in 2011 may reach 90-92 MMT. The final data will be published only in the beginning of CY 2012. The recent Agricultural Ministry's (MinAg) harvest report shows that Russian grain crop may exceed 90 MMT this year.

Harvest Progress

According to the MinAg, as of October 25, 2011 Russia harvested 95 MMT from 41.1 million hectares that is 96 percent of grain sown area (Note: Harvest progress data is in bunker weight, which is usually 5-8 percent higher than the clean weight that is reported as final crop in Russia). By crops the harvest progress is the following:

- 58.9 MMT of wheat was harvested from 24.7 million hectares (98 percent of sown area). The average wheat yield is 2.38 metric tons (MT) per hectare, higher than in 2010 (1.98 MT/ha), but lower than in 2009 (2.41 MT/ha);
- 17.6 MMT of barley was harvested from 7.7 million hectares (99 percent of sown area). The average yield is 2.29 MT/ha, higher than in 2010 (1.79 MT/ha), but lower than in 2009 – 2.44 MT/ha);
- 3.5 MMT of corn were harvested from 0.8 million hectares (49 percent of sown area). The average yield is 4.37 MT/ha, or higher than in 2010 (2.28 MT/ha) and in 2009 (3.5 MT/ha). The corn crop harvest is in the full swing in the South of European Russia;
- Rice crop this year may be lower than in 2010. As of October 25, 2011 Russia harvested 836,000 MT from 155,000 hectares (85 percent of sown area), with the average yield of 5.4 MT/ha. On the same date in 2010 Russia harvested 1.1 MMT of rice with the average yield of 5.75 MT/ha;
- In 2011 Russia will more than double production of buckwheat, one of Russia's major food crops. Buckwheat retail prices tripled in MY 2010, and Russian farmers increased area sown to buckwheat in 2011, and favorable weather increased yields from 0.67 MT/ha in 2010 to 0.97 MT/ha in 2011. As of October 25, 2011 farmers harvested 738,000 MT of buckwheat from 759,000 hectares (90 percent of sown area).

Winter Sowing

As of October 25, 2011, Russian farmers planted 14.9 million hectares to winter crops, mostly grains, and due to favorable weather and good moisture, winter planting will continue through the first week of November. The Minister of Agriculture Yelena Skrynnik reported that Russian farmers will plant at least 17 million hectares with winter crops; or 2 million hectares more than in the fall of 2010. Yields of winter crops could benefit as a result of increased application of mineral fertilizer. According to the Ministry of Agriculture, as of October 2011 farmers' stocks of mineral fertilizer were 2.32 MMT (active substance), 0.13 MMT more than in the fall 2010. However, farmers continue to complain about permanently increasing inputs prices, especially fuel and lubricants. They report that unless the government administratively curbs fuel prices, as it did in the spring 2010 and 2011, the spring field work may be under threat.

Trade:

Given the good grain crop, and the speed of grain exports in July-September, 2011, FAS/Moscow grain exports forecast has been increased to 21.7 MMT, including 19.0 MMT of wheat, 1.8 MMT of barley, 0.6 MMT of corn, and almost 0.3 MMT of other grains and legumes and their products.

<u>Grain Exports in July - September 2011</u>

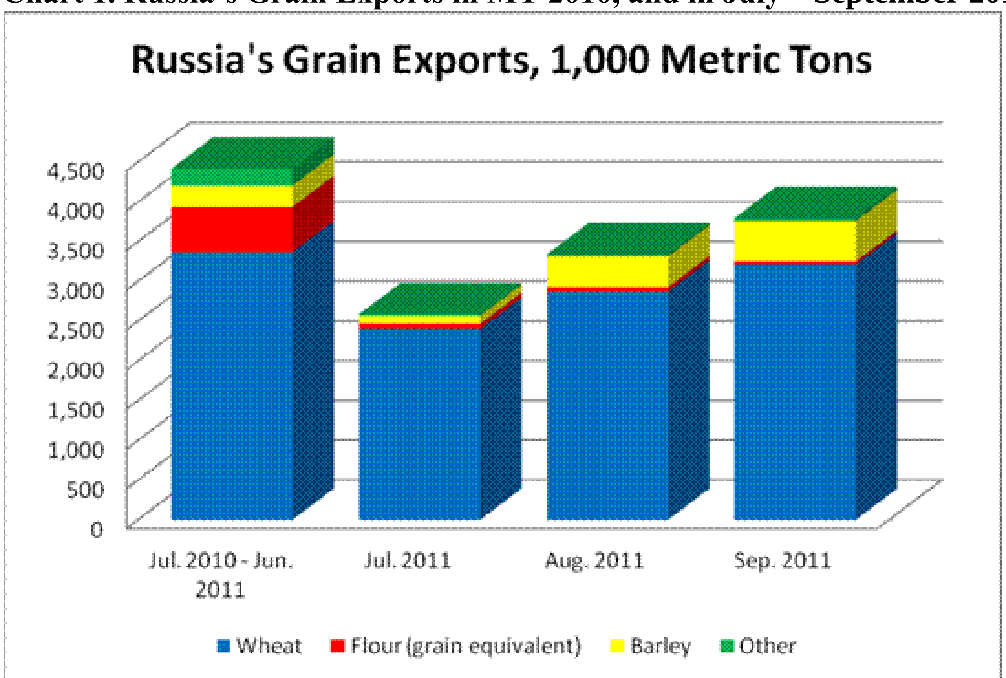
The grain export ban discontinued on July 1, 2011, and since then and through September 2011, Russia exported over 9.7 MMT of grain and grain products. In July 2011 Russia exported 2.6 MMT (mostly wheat from carry-over stocks), and August grain exports exceeded 3.3 MMT, and in September reached a record of 3.8 MMT.

Wheat exports in July – September totaled 8.5 MMT. Russia exported wheat to 30 countries, and the top ten recipients were Egypt (2,359,810 MT), Turkey (1,176,190 MT), Italy (432,470 MT), Kenya (404,420 MT), Yemen (335,380 MT), Spain (324,740 MT), Israel (323,080 MT), Azerbaijan (248,710 MT), Georgia (217,900 MT), and Djibouti (206,200 MT). Russia's exports of wheat flour in these three months were 120,000 MT, or grain equivalent of 170,000 MT.

Barley exports in July – September reached 1.0 MMT. Barley was exported to over 10 countries, and almost 67 percent (662,040 MT) of Russia's barley were shipped to Saudi Arabia. Other major recipients of Russian barley were Israel (74,810 MT), Sudan (48,430 MT), and Iran (41,830 MT).

In July – September 2011 Russia also exported 50,000 MT of corn, 23,000 MT of rye, and 7,900 MT of rice.

Chart 1. Russia's Grain Exports in MY 2010, and in July – September 2011

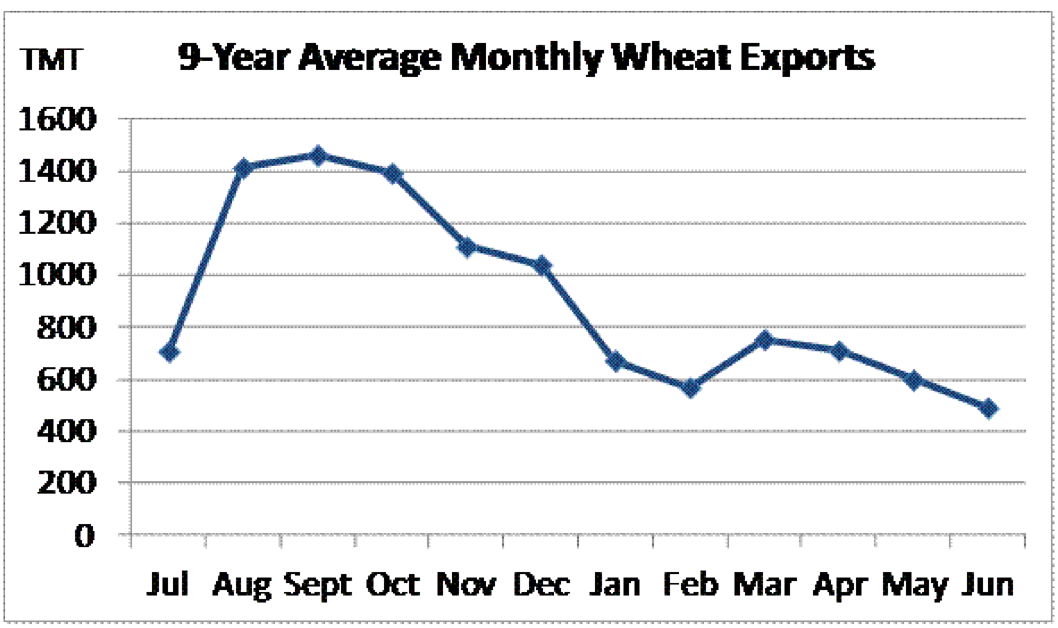


Grain exports in October – December 2011

Industry analysts forecast that grain exports in October – December 2011 will be lower than in July – September 2011 due to several factors:

- Export competitor prices have become more competitive against Russian grain;
- In September 2011, the US dollar was strengthening to ruble, stimulating Russian exports, and reached its peak of approximately 32.6 rubles per $1 by the end of September. In October, however, the exchange rate stabilized around 32 rubles and began decreasing in the end of October;
- According to industry analysts, stocks of wheat at the farms of the Southern European Russia (closest to ports provinces) have decreased, and incentives to export grain weakened. Farmers in Siberia have good grain crop and high carry-over grain stocks, but the cost of shipping their grain to the ports is very high, and limits their ability to sell grain for exports. Grain traders have already accumulated enough grain to continue exports in November, and, according to SovEcon, shipped up to 3.4 MMT of grain in October, but the total grain exports in the 4th quarter of 2011 will not repeat July-September success;
- In the end of November, Russia will enter a season of weather problems in most of Russia's ports (ice in Volga-Don, storms in the Black sea) and this negative-for-exports period, including long Christmas holidays, may last through February 2012. (Please see Chart 2 below for average seasonality of Russian wheat exports).

Chart 2. Seasonality of Russia's Grain Exports (2002-2011 Monthly Average)



Note:
- In February 2008 Russia introduced temporary grain export duties until July 2008;
- in August 2010 Russia imposed an export ban that was in force until July 1, 2011

Policy:

The Russian government has stated that it is comfortable with this year's grain production, and the present pre-election campaign has diverted its attention from farmers' policy. Thus, the government decisions on legislation in the agricultural sphere have been moved to the end of CY 2011. This legislation will involve the development of new rules for grain interventions, the use of warehouse receipts, grain quality control, and grain export control. In the end of September, the First deputy Prime Minister Viktor Zubkov reported that if Russian grain exports in MY 2011 exceed 23-24 MMT (which would be a record), then the government will impose some export restrictions. The Ministry of Economic Development, which is responsible for development of economic and trade policy, has theoretically supported this idea, but has not developed any draft legislature for implementation of these measures.

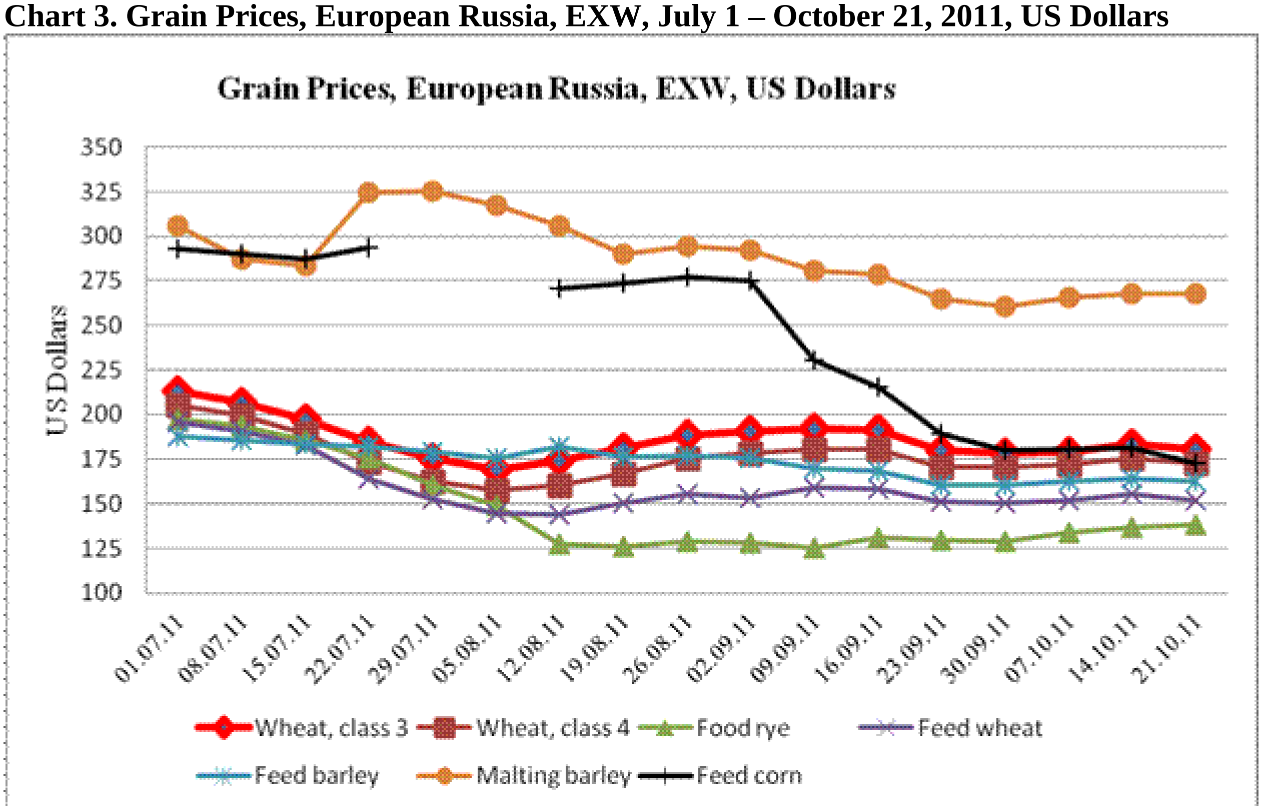
Marketing:

Prices

Due to the increase of the dollar exchange rate to Russian ruble from 28.87 rubles in the end of August, 2011 to 32.59 rubles in the end of September, wheat prices in rubles were decreasing slower than in US dollars.

The gap between elevator gate prices in the European Russia, where there is close access to export ports, and prices in Siberia, remains very large.

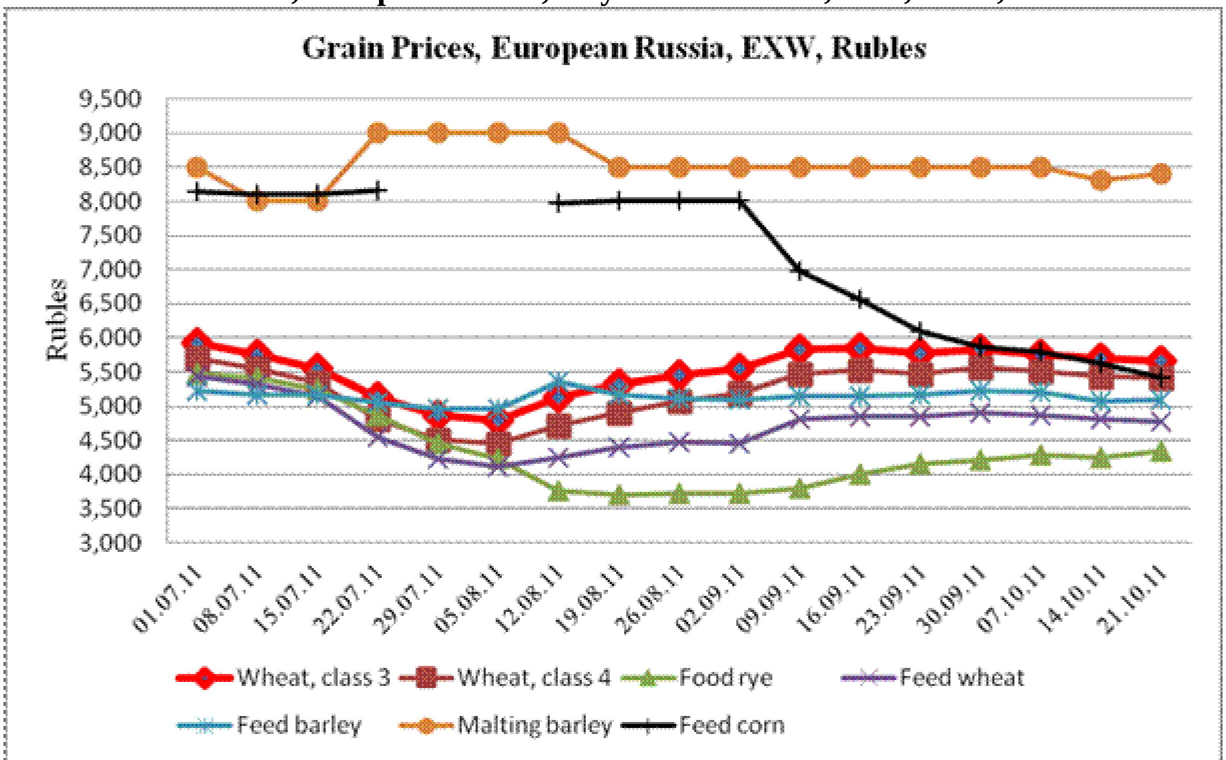
Chart 3. Grain Prices, European Russia, EXW, July 1 – October 21, 2011, US Dollars



Sourc

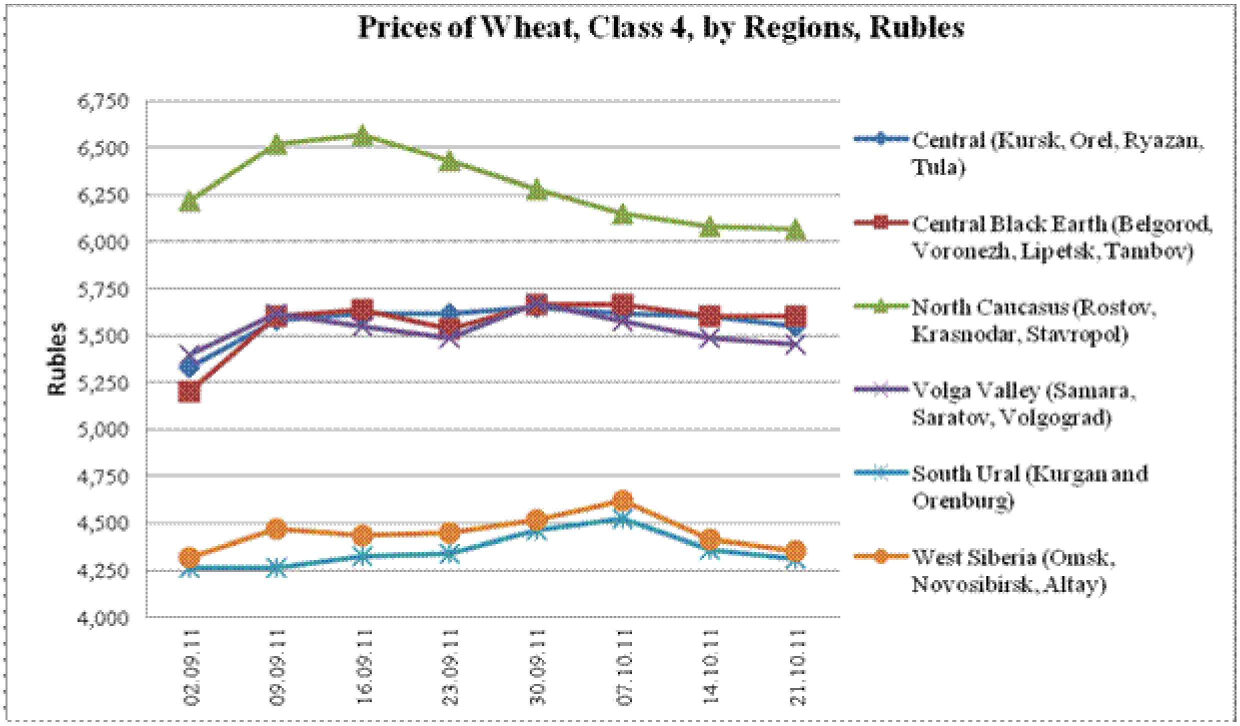
e: ProZerno

Chart 4. Grain Prices, European Russia, July 1 – October 21, 2011, EXW, Rubles



Source: ProZerno

Chart 5. Russia: Price of Wheat of Milling Quality, Class 4, by Regions, Rubles



Source: ProZerno

Production, Supply and Demand Data Statistics :

PSD, Wheat, 1,000 Metric Tons, Area in 1,000 Hectares

Wheat Russia	2009/2010		2010/2011		2011/2012	
	Market Year Begin: Jul 2009		Market Year Begin: Jul 2010		Market Year Begin: Jul 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	28,698	28,700	26,614	21,710	25,679	26,000
Beginning Stocks	10,743	10,479	14,521	14,257	13,535	13,315
Production	61,770	61,770	41,508	41,508	56,000	56,000
MY Imports	164	164	89	100	200	100
TY Imports	164	164	89	100	200	100
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	72,677	72,413	56,118	55,865	69,735	69,415
MY Exports	18,556	18,556	3,983	3,950	18,000	19,000
TY Exports	18,556	18,556	3,983	3,950	18,000	19,000
Feed and Residual	16,800	16,800	16,000	16,000	16,000	15,500
FSI Consumption	22,800	22,800	22,600	22,600	22,600	22,600
Total Consumption	39,600	39,600	38,600	38,600	38,600	38,100
Ending Stocks	14,521	14,257	13,535	13,315	13,135	12,315
Total Distribution	72,677	72,413	56,118	55,865	69,735	69,415
1000 HA, 1000 MT, MT/HA						

PSD, Barley, 1,000 Metric Tons, Area in 1,000 Hectares

Barley Russia	2009/2010		2010/2011		2011/2012	
	Market Year Begin: Jul 2009		Market Year Begin: Jul 2010		Market Year Begin: Jul 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	9,094	7,750	7,214	4,960	7,960	8,000
Beginning Stocks	3,813	3,637	2,395	2,238	1,386	1,188

Production	17,881	17,900	8,350	8,350	16,500	16,600
MY Imports	8	8	408	400	200	200
TY Imports	13	8	400	400	200	200
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	21,702	21,545	11,153	10,988	18,086	17,988
MY Exports	2,657	2,657	267	300	1,600	1,800
TY Exports	2,086	2,086	800	1,000	1,600	1,500
Feed and Residual	12,150	12,150	5,500	5,500	9,800	9,800
FSI Consumption	4,500	4,500	4,000	4,000	4,500	4,500
Total Consumption	16,650	16,650	9,500	9,500	14,300	14,300
Ending Stocks	2,395	2,238	1,386	1,188	2,186	1,888
Total Distribution	21,702	21,545	11,153	10,988	18,086	17,988
1000 HA, 1000 MT, MT/HA						

PSD, Corn, 1,000 Metric Tons, Area in 1,000 Hectares

Corn Russia	2009/2010		2010/2011		2011/2012	
	Market Year Begin: Oct 2009		Market Year Begin: Oct 2010		Market Year Begin: Oct 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	1,365	1,100	1,416	1,020	1,743	1,600
Beginning Stocks	254	287	122	160	162	130
Production	3,963	3,950	3,075	3,075	6,000	6,000
MY Imports	32	50	200	150	50	50
TY Imports	32	50	200	150	50	50
TY Imp. from U.S.	0	0	0	0	0	40
Total Supply	4,249	4,287	3,397	3,385	6,212	6,180
MY Exports	427	427	35	55	600	600
TY Exports	427	427	35	55	600	600
Feed and Residual	3,200	3,200	2,800	2,800	4,500	4,500
FSI Consumption	500	500	400	400	500	500
Total Consumption	3,700	3,700	3,200	3,200	5,000	5,000
Ending Stocks	122	160	162	130	612	580
Total Distribution	4,249	4,287	3,397	3,385	6,212	6,180
1000 HA, 1000 MT, MT/HA						

PSD, Rye, 1,000 Metric Tons, Area in 1,000 Hectares

Rye Russia	2009/2010		2010/2011		2011/2012	
	Market Year Begin: Jul 2009		Market Year Begin: Jul 2010		Market Year Begin: Jul 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	2,147	2,150	1,757	1,380	1,623	1,800
Beginning Stocks	312	297	308	360	225	310
Production	4,333	4,300	1,642	1,650	3,000	3,200
MY Imports	0	0	150	150	0	0
TY Imports	0	0	150	150	0	0
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	4,645	4,597	2,100	2,160	3,225	3,510
MY Exports	12	12	0	0	10	30
TY Exports	11	11	10	0	10	30
Feed and Residual	825	825	75	100	100	250
FSI Consumption	3,500	3,400	1,800	1,750	2,900	2,980
Total Consumption	4,325	4,225	1,875	1,850	3,000	3,230
Ending Stocks	308	360	225	310	215	250
Total Distribution	4,645	4,597	2,100	2,160	3,225	3,510
1000 HA, 1000 MT, MT/HA						

PSD, Oats, 1,000 Metric Tons, Area in 1,000 Hectares

Oats Russia	2009/2010		2010/2011		2011/2012	
	Market Year Begin: Jul 2009		Market Year Begin: Jul 2010		Market Year Begin: Jul 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	3,374	3,000	2,895	2,250	3,233	3,300
Beginning Stocks	499	581	397	478	160	298
Production	5,401	5,400	3,218	3,220	5,000	4,600
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	5,900	5,981	3,615	3,698	5,160	4,898
MY Exports	3	3	5	0	5	0
TY Exports	4	4	5	0	5	0
Feed and Residual	4,000	4,000	2,050	2,000	3,400	3,200
FSI Consumption	1,500	1,500	1,400	1,400	1,500	1,400
Total Consumption	5,500	5,500	3,450	3,400	4,900	4,600
Ending Stocks	397	478	160	298	255	298
Total Distribution	5,900	5,981	3,615	3,698	5,160	4,898
1000 HA, 1000 MT, MT/HA						

PSD, Millet, 1,000 Metric Tons, Area in 1,000 Hectares

Millet Russia	2009/2010		2010/2011		2011/2012	
	Market Year Begin: Jul 2009		Market Year Begin: Jul 2010		Market Year Begin: Jul 2011	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	522	250	521	170	842	250
Beginning Stocks	0	0	0	0	0	0
Production	265	265	131	130	700	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	265	265	131	130	700	400
MY Exports	0	0	0	0	0	10
TY Exports	0	0	0	0	0	10
Feed and Residual	90	90	5	5	400	245
FSI Consumption	175	175	126	125	300	145
Total Consumption	265	265	131	130	700	390
Ending Stocks	0	0	0	0	0	0
Total Distribution	265	265	131	130	700	400
1000 HA, 1000 MT, MT/HA						

PSD, Rice, Milled, 1,000 Metric Tons, Area in 1,000 Hectares

Rice, Milled Russia	2009/2010		2010/2011		2011/2012	
	Market Year Begin: Jan 2010		Market Year Begin: Jan 2011		Market Year Begin: Jan 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	182	175	202	202	210	210
Beginning Stocks	49	49	55	55	80	80
Milled Production	590	590	690	690	725	700
Rough Production	908	908	1,062	1,062	1,115	1,077
Milling Rate (.9999)	6,500	6,500	6,500	6,500	6,500	6,500
MY Imports	240	240	160	160	130	130
TY Imports	240	240	160	160	130	130
TY Imp. from U.S.	2	3	0	0	0	0
Total Supply	879	879	905	905	935	910

MY Exports	154	154	125	125	150	150
TY Exports	154	154	125	125	150	150
Consumption and Residual	670	670	700	700	700	680
Ending Stocks	55	55	80	80	85	80
Total Distribution	879	879	905	905	935	910
1000 HA, 1000 MT, MT/HA						