Date: 8/31/2011
GAIN Report Number: RS1142

Russian Federation

Post: Moscow

Grain and Feed September Update

Report Categories:
Grain and Feed
Approved By:
Levin Flake
Prepared By:
Yelena Vassilieva

Report Highlights:
With plentiful exportable supply and relatively low domestic prices, Russia exported approximately 2.5 million metric tons (MMT) of grain (mostly wheat) in July, and record exports are also occurring in August. FAS/Moscow estimates that total grain exports for 2011/12 will climb to 18 MMT, including 16 MMT of wheat.

Production:

Weather in European Russia has remained favorable in August, and in many European provinces yields were even higher than in 2009, a favorable year for Russian's grain crop, and far higher than in drought-impacted 2010. Despite this excellent weather in the European part of Russia, the harvest in Siberia and in Ural is lagging behind schedule due to late sowing. As a result possible rains and frosts in September might damage the crop and reduce quality. FAS Moscow increased Russia's grain (including legumes) crop forecast by 0.5 million metric tons (MMT) to 87.5 MMT, including 55 MMT of wheat (a 1 MMT increase), 16 MMT of barley (a 0.5 MMT decrease based on reported harvest progress), 5 MMT of corn and 11.5 MMT of other grains and legumes.

Harvest Progress

According to the Russian Ministry of Agriculture (MinAg), as of August 23, 2011, Russia harvested 57.9 MMT of grain (in bunker weight) from 22.0 million hectares (50 percent of grain sown area). (Note: Harvest progress data is in bunker weights, which is usually 5-8 percent higher than the clean weight that is reported as the final crop production figures in Russia).

By crop, the harvest progress is the following:

- 37.3 MMT of wheat were harvested from 12.6 million hectares (49 percent of wheat sown area). The average wheat yield is 2.97 metric tons (MT) per hectare. The average yield is still higher than on the same date in 2010 (2.32 MT/ha) and in 2009 (2.89 MT/ha);
- 12.2 MMT of barley were harvested from 5.1 million hectares (64 percent of the sown area). The yield is 2.38 MT/ha.

The grain crop harvest has been almost completed in the Southern and the North Caucasus federal districts – only corn and rice remain to be harvested. The harvest is in the full swing in the Central and in the Volga Valley federal districts, and also just started in Siberia and Ural, although in these two districts it is lagging behind schedule:

- In the Southern Federal District farmers harvested 19.0 MMT from 5.9 million hectares (83 percent of sown area). The average yield is 3.25 MT/ha, higher than in 2010 (3.08 MT/ha) and in 2009 (3.08 MT/ha);
- In the North Caucasus Federal District farmers harvested 8.7 MMT from 2.3 million hectares (85 percent of grain sown area), and the average yields is 3.71 MT/ha (in 2010 – 3.21 MT/ha, and in 2009 – 3.08 MT/ha);
- In the Central Federal district farmers harvested 13.5 MMT from 5.5 million hectares (74 percent of grain sown area);
- In Volga Valley Federal District farmers harvested 14.5 MMT from over 7 million hectares (57 percent of grain sown area);
- In Ural Federal District farmers have just started harvesting, and by August 22 harvested approximately 0.4 MMT from 0.15 million hectares (4 percent of grain sown area).

- In Siberia Federal District farmers harvested 1.1 MMT from 0.7 million hectares (7 percent of grain sown area).

Industry analysts report that despite generally favorable weather the following negative factors may still impact the grain harvest:

- Spring sowing was late in Siberia, which is delaying harvest, and as a report crops (and crop quality) may suffer from possible rains and any early frosts.
- According to the Russian Grain Union, the cost of production of grain (wheat) in many farms in the Volga Valley, and in Siberia has exceeded 4,000 rubles (approximately $138) per MT due to increased prices of input supplies and increased debts and interest payments. Meanwhile, the purchase price of wheat in European Russia had been decreasing until the end of July, and both milling and feed quality wheat have been purchased below 5,000 rubles per MT ($172). As a result, there is a chance that some farmers with low yields may decide not to harvest grain, thus saving on the cost of fuel, and other expenses for grain harvesting, conditioning and storing. This could result in lower harvested area.

Grain Quality

There are no official data on the quality of harvested grain. The Center for Grain Quality Assessment at the Federal Service for Veterinary and Phytosanitary Surveillance (VPSS) conducts some quality surveys on a voluntary basis. According to examination of sampled wheat in Krasnodar and in Stavropol krays, the share of milling quality wheat exceeded 80 percent of the crop, but the top grade Class 3 milling-quality wheat with high gluten is less than 30 percent of the crop. In other European provinces, the share of milling-quality wheat is much lower, and, according the Center, has been consistently decreasing in the past few years. The milling quality of Russia's grain suffers as a result of sunny bug infestation, a dangerous pest that destroys gluten in wheat. The infestation decreased compared with last year, but still remains high in provinces of the Central Federal District and in Rostov oblast. In Krasnodar kray, in milling-quality wheat infested with sunny bug, the average share of damaged grains is estimated at 1.5 percent, ranging from 0.1 percent to maximum 3 percent. In Stavropol kray the average is 1.4 percent, ranging from 0.4 percent to maximum 2.6 percent, while in Rostov oblast the average is 3.5 percent, ranging from 0.8 percent to 8 percent. Infestations of sunny bug are greater in the provinces of the Central Federal District, which significantly decreased the share of milling-quality wheat in these provinces. Because of a low share of milling-quality wheat in European Russia, the market price of milling-quality wheat began increasing in August, while the price of feed-quality wheat rose at a slower pace.

According to the Center, the quality of rye has also been deteriorating in Russia. Food quality rye is less than 70 percent of rye crop, and the share of the top grade food quality rye does not exceed 12 percent of the crop.

Most barley produced in Russia is feed-quality. According to the Center, the share of malting barley ranges from 22 to 30 percent in Voronezh, Lipetsk and Tambov oblasts, while it is less than 1 percent in

Belgorod oblast, and does not exceed 8 percent in Kursk oblast.

Trade:

In July 2011 Russian traders exported a record volume of grain for that month. Preliminary customs data shows 2.5 MMT exported, including 2.4 MMT of wheat and over 0.1 MMT of barley. Because of record export volumes in July and August, very large volumes of grain contracts in September, and increased exportable supply, FAS/Moscow has raised the grain export forecast by 2 MMT to 18 MMT in MY 2011/12, including 16 MMT of wheat (2 MMT up from the previous forecast), over 1.2 MMT of barley (0.2 MMT increase from the previous forecast), and over 0.6 MMT of other grains and pulses. The Russian MinAg increased their grain export forecast to over 20 MMT in MY 2011, while some industry analysts forecast grain exports at 22 MMT.

The Center for Grain Quality Assessment at the VPSS published data on exports of grain and grain products with grain quality certificates in July and August. From July 1 through August 15, 2011, the volume of grain, grain products, oilseeds and oilseed products for which grain quality certificates were given for export reached 4.2 MMT, including 2.9 MMT in July, and 1.4 MMT in August 1-15. This export data is structured by countries (including Kazakhstan and Belarus, members of the Customs Union), and in each country - by commodity groups (grains, flour, groats, oilseeds and oilseed products): http://fsvps.ru/fsvps-docs/ru/news/files/3445/grain.pdf. As this data reports quality certificates, the timing of exports may differ slightly from Customs In July, 2011 Russia exported 2.6 MMT of wheat, 127,000 MT of barley and 20,000 of corn. Also Russia exported over 860 MT of wheat grots and wheat dry gluten, and almost 1,500 MT of barley groats and barley malt. In the first 15 days of August, according to the Center's data, Russia exported over 1 MMT of wheat and over 220,000 MT of barley.

Industry analysts forecast continued high grain exports in September despite the rising domestic prices. Their forecasts are based on information on grain already contracted as well as booked grain railway cars and trucks. Shortages are already being reported by many traders of railway cars.

Policy:

Export support

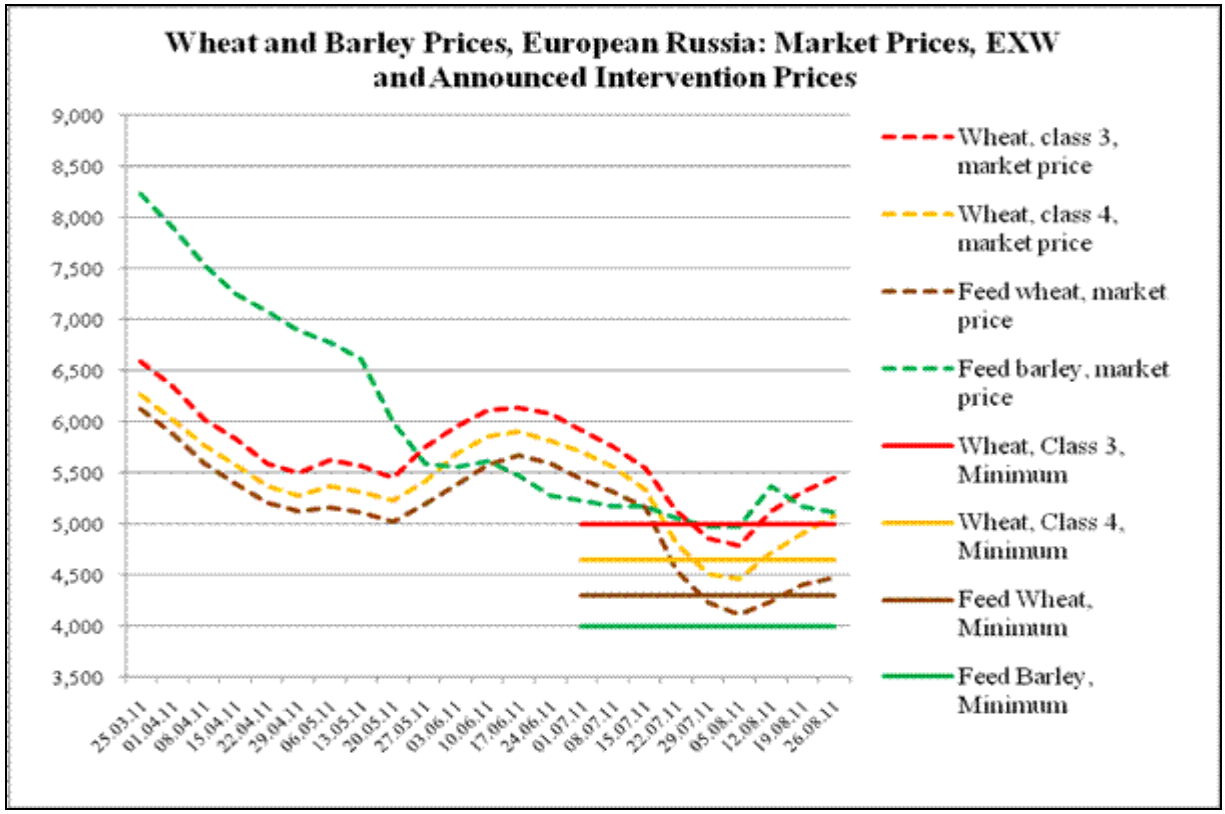
Russian associations of grain producers and exporters have combined forces in lobbying the Government for greatly reduced railway tariffs for transporting grain and grain products to sea ports, especially for grain that must travel long distances either from Siberia or to Far Eastern ports. According to the National Union of Grain Producers, these measures would make Siberian grain more competitive, and will increase export potential for Siberian milling quality wheat. Any decrease in railway tariffs must be compensated to the state-owned Russian Railway Company from the federal budget, and as a result the introduction of any discounts are unlikely to be as large as requested by these Unions. As in 2009, though, some decrease in railway tariffs is possible as a temporary measure this

year.

Grain Procurement Interventions

In March 2011 the MinAg announced the minimum prices at which procurement interventions would begin. However, by August, 2011 prices of wheat almost reached the minimum levels, but the interventions have not begun. On August 17, 2011, the MinAg reported on its plans to change the grain procurement intervention process by adding a clause to the contract which would give farmers the right to buy back their grain (paying storage and insurance expenses) when the market price rises over the price at which they sold grain to the government. By mid-September 2011, the Ministry of Agriculture will submit proposals on this new buy-back intervention scheme. The MinAg's budget has 2 billion rubles ($69 million) for such grain intervention in CY 2011.

Graph 1. Wheat and Barley Prices, European Russia: Market Prices, EXW, and Intervention Prices, Rubles



Source: Market prices data – ProZerno.

Grain Quality Control

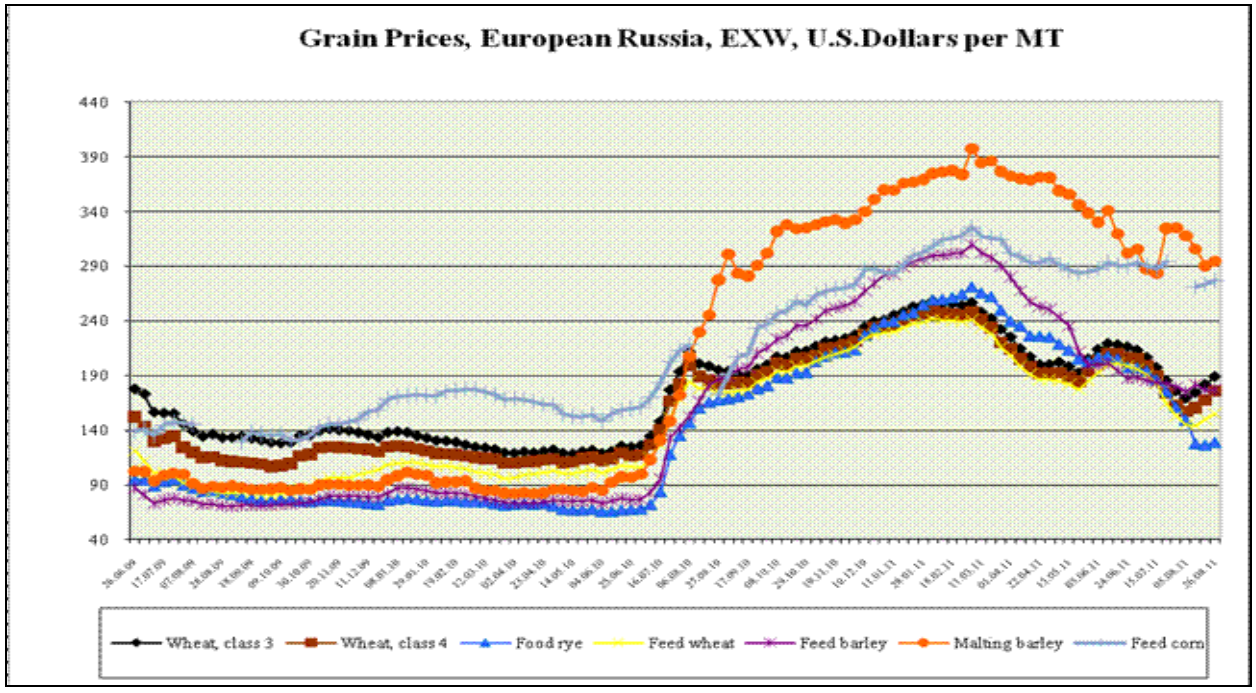
This summer Russia adopted a federal law which removed the VPSS's mandatory quality certification of exported grain. Russia's major grain exporters support the move from mandatory certification to declarations of conformity, because they already order quality examination of their grain by independent international laboratories in order to meet contract requirements. As a result, they consider obtaining VPSS's quality certificates as being redundant and an unnecessary expense. However, the Center for

Grain Quality Assessment at the VPSS has lobbied to have this requirement restored. They argue that the removal of these mandatory certificates will weaken the Government's understanding of grain quality in Russia, worsen the image of Russian grain exports, and further decrease the quality of grain and grain products produced and handled in Russia.

Marketing (Prices):

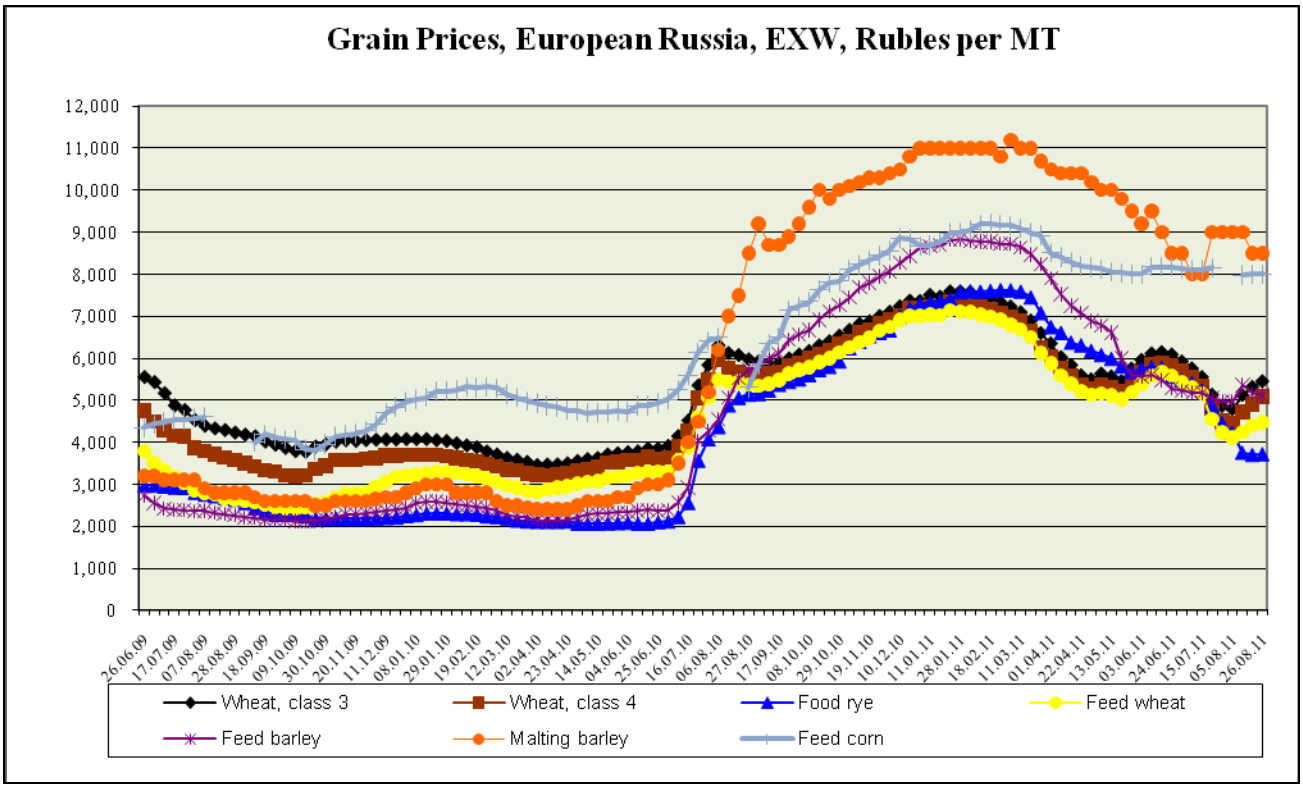
By the end of August the long time price trends in the domestic market were still unclear as prices continued to fluctuate. According to some industry analysts, in the end of August exporters began buying Class 4 wheat in Novorossiysk at 6,700 – 6,800 rubles (approximately $231 - $234) per MT, compared with 6,400 – 6,500 rubles ($221 - $224) a week ago, wheat purchase prices in the shallow ports of Azov and Don river vary from 6,000 rubles to 6,200 rubles ($207 - $214) or 200 – 400 rubles ($6.9 - $13.8) per MT higher than a week ago. A number of factors have resulted in the recent rise in prices. First, strong export demand has supported prices and led to a recovering from the June-July post-harvest decline. Second, transportation prices to the ports have risen as a result of shortages of grain railway cars and trucks and higher railway tariffs. Finally, the low share of milling-quality wheat has resulted in milling-quality wheat prices in European Russia rising faster than feed-quality wheat prices. For example, the domestic price of milling-quality wheat Class 3 (EXW, European Russia) increased by 12 percent, from 4,860 rubles ($175.6) per MT in the end of July 2011 to 5,450 rubles ($188.8) per MT by August 26. Feed quality wheat prices (Class 5) increased only by less than 6 percent, from 4,235 rubles ($164.2) to 4,480 rubles ($155.2) per MT.

Graph 2. Grain Prices, European Russia, EXW, U.S. Dollars per Metric Ton



Source: ProZerno

Graph 3. Grain Prices, European Russia, EXW, 1,000 Rubles per Metric Ton



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	26,000	26,000
Beginning Stocks	10,743	10,479	14,521	14,257	13,546	13,315
Production	61,770	61,770	41,508	41,508	56,000	55,000
MY Imports	164	164	100	100	200	100
TY Imports	164	164	100	100	200	100
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	72,677	72,413	56,129	55,865	69,746	68,415
MY Exports	18,556	18,556	3,983	3,950	16,000	16,000
TY Exports	18,556	18,556	3,983	3,950	16,000	16,000
Feed and Residual	16,800	16,800	16,000	16,000	18,500	18,000
FSI Consumption	22,800	22,800	22,600	22,600	22,800	22,600
Total Consumption	39,600	39,600	38,600	38,600	41,300	40,600
Ending Stocks	14,521	14,257	13,546	13,315	12,446	11,815
Total Distribution	72,677	72,413	56,129	55,865	69,746	68,415
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	7,900	8,000
Beginning Stocks	3,813	3,637	2,395	2,238	1,245	1,188
Production	17,881	17,900	8,350	8,350	15,500	16,000
MY Imports	8	8	300	400	200	200
TY Imports	13	8	300	400	200	200
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	21,702	21,545	11,045	10,988	16,945	17,388
MY Exports	2,657	2,657	300	300	1,000	1,200
TY Exports	2,086	2,086	300	300	1,000	1,200
Feed and Residual	12,150	12,150	5,500	5,500	9,600	9,800
FSI Consumption	4,500	4,500	4,000	4,000	4,400	4,500
Total Consumption	16,650	16,650	9,500	9,500	14,000	14,300
Ending Stocks	2,395	2,238	1,245	1,188	1,945	1,888
Total Distribution	21,702	21,545	11,045	10,988	16,945	17,388
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	1,600	1,600
Beginning Stocks	254	287	122	160	72	195
Production	3,963	3,950	3,075	3,075	5,500	5,000
MY Imports	32	50	200	200	50	100
TY Imports	32	50	200	200	50	100
TY Imp. from U.S.	0	0	0	0	0	40
Total Supply	4,249	4,287	3,397	3,435	5,622	5,295
MY Exports	427	427	25	10	300	300
TY Exports	427	427	25	10	300	300
Feed and Residual	3,200	3,200	2,900	2,800	4,500	4,200
FSI Consumption	500	500	400	430	500	500
Total Consumption	3,700	3,700	3,300	3,230	5,000	4,700
Ending Stocks	122	160	72	195	322	295
Total Distribution	4,249	4,287	3,397	3,435	5,622	5,295
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	1,800	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	0	10
TY Exports	11	11	0	0	0	10
Feed and Residual	825	825	75	100	100	400
FSI Consumption	3,500	3,400	1,800	1,750	2,900	2,900
Total Consumption	4,325	4,225	1,875	1,850	3,000	3,300
Ending Stocks	308	360	225	310	225	200
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	3,500	3,300
Beginning Stocks	499	581	397	478	160	298
Production	5,401	5,400	3,218	3,220	5,000	4,700
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	4,998
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	3,300
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	4,700
Ending Stocks	397	478	160	298	255	298
Total Distribution	5,900	5,981	3,615	3,698	5,160	4,998
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	500	250
Beginning Stocks	0	0	0	0	0	0
Production	265	265	131	130	400	300
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	400	300
MY Exports	0	0	0	0	0	10
TY Exports	0	0	0	0	0	10
Feed and Residual	90	90	5	5	225	145
FSI Consumption	175	175	126	125	175	145
Total Consumption	265	265	131	130	400	290
Ending Stocks	0	0	0	0	0	0
Total Distribution	265	265	131	130	400	300
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	105	80
Milled Production	590	590	690	690	725	725
Rough Production	908	908	1,062	1,062	1,115	1,115
Milling Rate (.9999)	6,500	6,500	6,500	6,500	6,500	6,500
MY Imports	240	240	200	160	130	130
TY Imports	240	240	200	160	130	130
TY Imp. from U.S.	2	3	0	0	0	0
Total Supply	879	879	945	905	960	935
MY Exports	154	154	120	125	130	135
TY Exports	154	154	120	125	130	135
Consumption and Residual	670	670	720	700	725	700
Ending Stocks	55	55	105	80	105	100
Total Distribution	879	879	945	905	960	935
1000 HA, 1000 MT, MT/HA						