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Date: 9/30/2013

GAIN Report Number: RS1367

Russian Federation

Sugar Semi-annual

October 2013

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Report Highlights:

FAS/Moscow lowered its forecast of Russia's sugar beet production in 2013 from the April 2013-forecast by 1 million metric tons (MMT) to 36 MMT. This is 20 percent lower than the sugar beet crop in 2012 and this decline is due to sharply lower planted area. Sugar beet area planted decreased by 21 percent year-to-year to 906,000 hectares in 2013, compared to 1,143,000 hectares in 2012. As of September 26th, 29 percent of sugar beets were harvested, and early sugar beet yields are higher than in the last two years. However, continued rains and cold weather in September 2013 may reduce the yield potential and increase losses as harvest progresses. FAS/Moscow forecasts that raw beet sugar production in 2013/2014 will be 4.4 MMT, or only 12 percent below the last year's level. Due to the smaller crop, Russia is forecast to increase imports of sugar (both raw and refined) to 1.1 MMT in marketing year 2013/2014 from 0.6 MMT in 2012/2013.

Executive Summary:

FAS/Moscow lowered its forecast of Russia's sugar beet production in 2013 from the April 2013-forecast by 1 million metric tons (MMT) to 36 MMT. This is 20 percent lower than the sugar beet crop in 2012 and this decline is due to sharply lower planted area. Sugar beet area planted decreased by 21 percent year-to-year to 906,000 hectares in 2013, compared to 1,143,000 hectares in 2012. As of September 26th, 29 percent of sugar beets were harvested, and so far the average sugar beet yields in the major producing provinces are 15-17 percent higher than the last two years. However, the unprecedentedly rainy and cold weather in the European Russia in September (and which is forecast to continue in early October) may reduce yield potential and increase losses as the harvest progresses.

Table 1. Russian Sugar Beets: Area, Production, and Utilization (1,000 HA, 1,000 MT)

Sugar Beets Russia	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Sep 2011		Market Year Begin: Sep 2012		Market Year Begin: Sep 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	1,290	1,290	1,143	1,143	1,000	906
Area Harvested	1,200	1,200	1,090	1,090	950	850
Production	47,640	47,640	45,057	45,057	37,000	36,000
Total Supply	47,640	47,640	45,057	45,057	37,000	36,000
Utilization for Sugar	47,640	47,640	45,057	45,057	37,000	36,000
Utilization for Alcohol	0	0	0	0	0	0
Total Distribution	47,640	47,640	45,057	45,057	37,000	36,000

Despite the smaller sugar beet crop, losses are still expected to be significantly lower than in the past two years. As a result FAS/Moscow forecasts that in MY 2013/2014, the output of Russia's beet processing plants (beet sugar) from these 36 MMT of beets will be 4.4 MMT, or only 12 percent below the last year's level of 5.0 MMT.

FAS/Moscow forecasts sugar domestic consumption for MY 2013/2014 at 5.4 MMT, a 2 percent decrease from MY 2012/2013. Domestic consumption of sugar (Russian beet sugar and imported cane sugar) has been decreasing in the last years due to increased consumption of non-sugar sweeteners in the confectionary industry.

With lower domestic production of sugar expected, Russia is forecast to increase imports of sugar (both raw and refined) in order to meet demand at 5.4 MMT. As a result FAS/Moscow forecasts sugar imports to increase to 1.1 MMT in MY 2013/2014, from 0.6 MMT in MY 2012/2013. Meanwhile sugar exports are forecast to decrease from 0.2 MMT to 0.1 MMT, primarily to Kazakhstan.

Table 2. Russian Sugar: Production, Supply, and Distribution (1,000 MT Raw Value)

Sugar, Centrifugal Russia	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Oct 2011		Market Year Begin: Oct 2012		Market Year Begin: Oct 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	350	350	390	390	275	275
Beet Sugar Production	5,545	5,545	5,000	5,000	4,900	4,400
Cane Sugar Production	0	0	0	0	0	0
Total Sugar Production	5,545	5,545	5,000	5,000	4,900	4,400
Raw Imports	450	450	600	500	900	900
Refined Imp.(Raw Val)	60	60	100	100	130	200
Total Imports	510	510	700	600	1,030	1,100
Total Supply	6,405	6,405	6,090	5,990	6,205	5,775
Raw Exports	0	0	0	0	0	0
Refined Exp.(Raw Val)	300	300	300	200	200	100

Total Exports	300	300	300	200	200	100
Human Dom. Consumption	5,700	5,700	5,500	5,500	5,700	5,400
Other Disappearance	15	15	15	15	15	15
Total Use	5,715	5,715	5,515	5,515	5,715	5,415
Ending Stocks	390	390	275	275	290	260
Total Distribution	6,405	6,405	6,090	5,990	6,205	5,775

Commodities:

Sugar Beets

Sugar, Centrifugal

Sugar Beet Production:

FAS/Moscow decreased its sugar beet production forecast from 37 MMT to 36 MMT, and this estimate is 20 percent below 2012 production as a result of a sharp decrease in sugar beet sown area. According to official data, area sown to sugar beets in Russia in 2013 dropped by 21 percent (from 1,142,900 hectares in 2012) to 905,800 hectares, the lowest level since 2009. The decrease was due to increased competition with other crops such as grain and oilseeds in the Central, Southern and Volga Valley federal districts of Russia (which altogether produce over 90 percent of Russian sugar beets). At planting, grain and oilseed prices were extremely high while sugar beet prices were low and last year sugar beets were the least profitable crop for farmers. Moreover, in 2012 and in 2011 farmers produced more sugar beets than the processors were able to process, and thus a significant portion of sugar beets was left in the fields. As a result, in 2013 many farms, especially those not part of a large agroholding company that included a sugar beet processor, decided to shift to other crops.

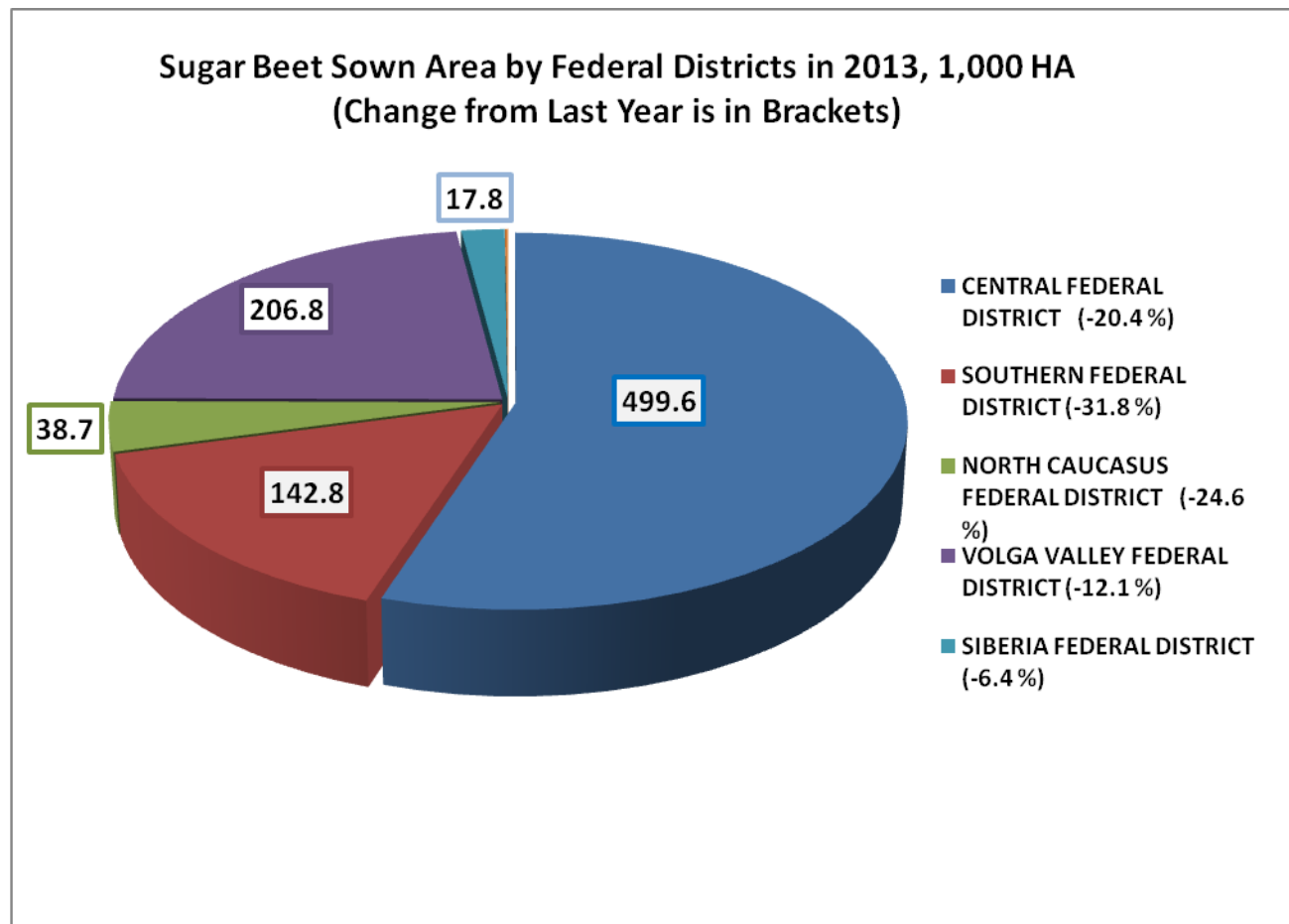
Area sown to sugar beet decreased in all major beet producing provinces, although the share of these provinces in the total beet area did not change significantly (Table 3) in 2013.

Table 3. Sugar Beet Sown Area by Federal Districts and by the Major Sugar Beet Producing Provinces in 2012 and 2013.

	Sown Area, 1,000 hectares		Change (percent)	Share in the total sown area (percent)	
	2012	2013		2012	2013
Russia, Total	1142.9	905.8	-20.75	100.0	100.0
CENTRAL FEDERAL DISTRICT	627.8	499.6	-20.42	54.9	55.2
Including:					
Belgorod oblast	103.4	75.0	-27.48	9.0	8.3
Voronezh oblast	148.1	102.4	-30.87	13.0	11.3
Kursk oblast	111.9	94.6	-15.42	9.8	10.4
Lipetsk oblast	84.1	81.6	-3.03	7.4	9.0
Orel oblast	45.2	45.4	0.4	4.0	5.0
Tambov oblast	111.1	87.2	-21.50	9.7	9.6
SOUTHERN FEDERAL DISTRICT	209.4	142.8	-31.80	18.3	15.8
NORTH CAUCASUS FEDERAL DISTRICT	51.3	38.7	-24.6	3.4	5.7
VOLGA VALLEY FEDERAL DISTRICT	235.4	206.8	-12.13	20.6	22.8

Including:					
Bashkortostan Republic	54.4	55.2	1.5	4.8	6.1
Mordovia Republic	21.7	20.3	-6.56	1.9	2.2
Tatarstan Republic	61.3	55.3	-9.81	5.4	6.1
Penza oblast	58.0	46.8	-19.27	5.1	5.2
Ulyanovsk oblast	20.1	14.0	-30.37	1.8	1.5
SIBERIA FEDERAL DISTRICT	19.0	17.8	-6.43	1.7	2.0

Source: State Statistical Service (Rosstat)



Source: Rosstat

Sugar beet harvest progress

The sugar beet harvest in Russia typically begins in mid-September and lasts through October. As of September 26, 2013, farmers harvested 11.1 MMT of sugar beets from 266,300 hectares (29.4 percent of sown area). By the same date in 2012, farmers had harvested 14.6 MMT of sugar beets from 413,900 hectares. The early sugar beet yields are significantly higher than in the last year at 41.5 MT/ha in 2013 compared to 35.4 MT/ha in 2012. In fact, the yields in the major sugar beet producing provinces so far are close to new records.

As of September 26th, 2013, yields in the five major sugar beet producing provinces of Russia (by sown area in 2013) were¹:

- in Voronezh oblast average yields were 42.12 MT/ha, compared to 27.93 MT/ha in 2012;
- in Kursk oblast – 41.98 MT/ha compared to 39.40 MT/ha in 2012;
- in Tambov oblast – 43.84 MT/ha compared to 37.21 MT/ha in 2012;
- in Lipetsk oblast – 43.81 MT/ha compared to 40.37 MT/ha in 2012;
- in Belgorod oblast – 34.72 MT/ha compared to 34.18 MT/ha in 2012.

In addition to these higher early yields, according to the SoyuzRosSakhar (association of sugar producers and processors of the Customs Union), as of end of August, the sugar content in the beets was higher than last year.

Despite these good early yields, heavy rains in September 2013 in the Central European Russia (in some provinces rainfall levels reached the highest level in the history of meteorological monitoring) are delaying the sugar beet harvest and this rain, coupled with cold weather, could create higher losses. Also some processing plants in the sugar beet-producing provinces are not operating at full capacity because rains have stopped beet harvesting and shipping to plants. The forecast for weather for the beginning of October also looks poor with continued rain and spells of overnight frosts possible in Central European Russia. As a result, as the harvest progresses yields are expected to decrease and losses increase. These overnight frosts also may damage beets that have been harvested but are still stored on fields. As a result of this, industry analysts' forecast for the sugar beet crop this year vary from 34 to 38 MMT.

Sugar beet processing

There are 78 sugar beet processing plants in Russia, and most of plants are located in the major producing areas. As of September 24th, 2013, 68 of 78 plants have begun processing sugar beets:

- In the Central Federal District there are 44 plants, and 41 of them were working as of September 24th, 2013;
- In the Southern Federal District there are 15 plants, and all started working;
- In the Volga Valley Federal District there are 15 plants, and only 8 have started working;
- In the North Caucasus Federal District all 3 plants have started working;
- In the Siberia Federal District there is only 1 plant, and it worked as of September 24th, 2013.

For comparison, on the same day last year 75 plants were in operation.

Sugar Production:

FAS/Moscow forecasts Russian raw sugar production from beets in MY 2013/2014 at 4.4 MMT, or 12 percent below the production level in MY 2012/2013. The reduction is due to the smaller sugar beet crop.

According to SouyzRosSakhar (Sugar Union) estimates, Russia's capacity of processing sugar beets is slightly over 0.2 MMT per day, and the daily production of raw sugar may reach 34,000 MT. However, the full use of this capacity depends on many various factors, including the sugar content of the sugar beets, the timely delivery of them to processing plants, and the length of the period of operation of

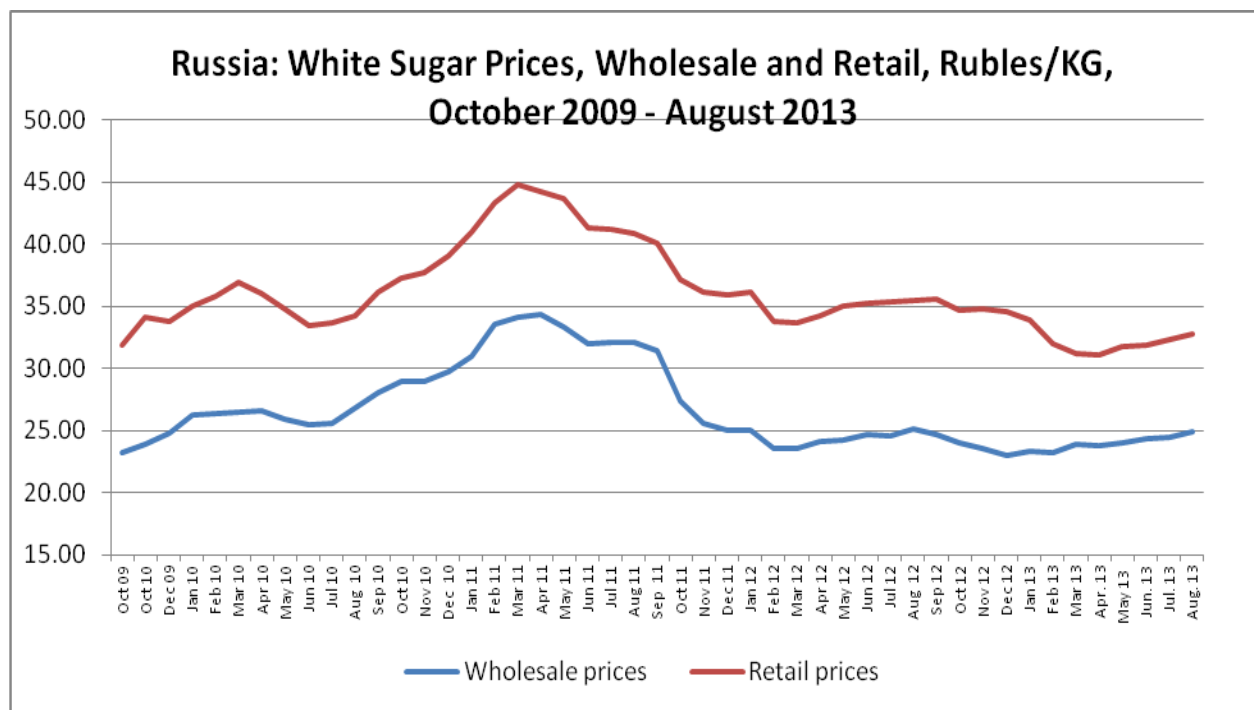
¹ Source: Ministry of Agriculture of the Russian Federation

processing plants. These factors, in turn, depend on weather, distance from farm to processing plants (optimal distance is considered to be within 30-70 kilometers), availability of trucks for delivery and availability of on farm storage for keeping sugar beets (without significant degradation of quality of beets) for a period of time.

In 2013, along with the decrease of sown area, production of sugar beets is concentrated at farms that use better seeds, and are better prepared to store and deliver beets to processing plants on time. Thus, if weather allows, the harvest and post-harvest losses of sugar beets (including not-harvested beet crop left on the field) will be lower in 2013 than in the last two years, and the decrease in production of sugar from beets will not match the decrease in beets crop.

Consumption

FAS/Moscow estimates Russian consumption of sugar in MY 2013/2014 at 5.4 MMT, slightly below the level of in MY 2012/2013. Consumption of sugar is not growing in Russia despite the growth of production of confectionary and food processing industries that use sweeteners. In many processing technologies, the use of sugar is replaced by the use of different sugar substitutes, including artificial sweeteners and high-energy glucose-fructose syrups. The lack of growing demand is illustrated in the relative stability of the wholesale sugar prices in the last 18 months.



Source: Ministry of Agriculture of the Russian Federation

Trade in Sugar

Imports

FAS/Moscow forecasts imports of sugar (imports of raw cane sugar and imports of refined sugar in raw equivalent) in MY 2013/2014 at 1.1 MMT, up from 600,000 tons in 2012/13. Imports of raw cane sugar are forecast to rise to 0.9 MMT from 0.5 MMT in 2012/13, and imports of refined sugar (raw equivalent) will double to 0.2 MMT from 0.1 MMT. These increased imports will be as a result of the reduced availability of raw beet sugar as a result of the smaller harvest.

According to the Russian State Customs Service, in the first 10 months of MY 2012/2013 Russia imported 383,745 MT of raw cane sugar (Table 4). The major suppliers of raw cane sugar to Russia are Brazil, Thailand and Cuba.

According to official customs data, imports of refined sugar in the first 10 months of MY 2012/2013 were 52,232 MT, or 55,900 MT in raw value. However, it is possible customs data is underreporting refined sugar imports as some is reportedly coming from Ukraine through Belarus, and trade with Belarus is not reported in Russian Customs as a result of the Customs Union between Belarus, Russia, and Kazakhstan. The major suppliers of refined sugar to Russia in MY 2012 were Poland, Lithuania, Ukraine, Brazil, and Moldova (42 percent, 29 percent, 11 percent, 9 percent and 4 percent respectively) (Table 5).

Table 4. Russia: Imports of Raw Cane Sugar (170111, 170113, 170114)

	2007/08	2008/09	2009/10	2010/11	2011/12	Oct. 2011 - Jul. 2012	Oct. 2012-Jul. 2013
World	2,724,311	1,763,070	1,948,604	2,258,774	445,481	424,865	383,745
Brazil	2,413,216	1,489,518	1,636,819	1,954,788	313,420	313,420	320,456
Cuba	161,570	142,762	80,863	45,800	61,459	61,459	23,000
Thailand	91,973	57,708	40,830	123,566	43,751	43,751	32,483
India	26,000	357	0	0	18,681	25	24
Mauritius	1,330	827	3,965	5,786	5,081	4,038	4,619
Colombia	1,756	2,512	11,655	857	2,466	1,584	2,599
Germany	506	332	200	230	305	274	241
Finland	165	210	240	263	148	148	123
United States	0	0	5	60	79	74	90
Sweden	80	109	85	65	48	48	0
Other	27,715	68,735	173,942	127,359	43	44	110

Note: Due to Changes in Codes Descriptions, since 2012, most of imports of raw cane sugar is in code 170114, instead of 170111.

Source: State Customs Service

Table 5. Russia: Imports of Refined Sugar (HS numbers 170119 and 170199)

	2007/ 2008	2008/ 2009	2009/ 2010	2010/ 2011	2011/ 2012	Oct. 2011 – Jul. 2012	Oct. 2012 – Jul. 2013
World	72,218	91,412	72,663	86,317	56,053	43,768	52,232
Poland	59,408	16,465	36,570	13,285	30,333	23,304	21,726
Moldova	0	30,993	5,742	25,332	2,552	2,552	1,914
Brazil	6,550	18,666	3,786	24,038	4,251	3,711	4,455
Colombia	10	4,609	2,736	1,060	110	110	27
Mauritius	765	175	1,087	803	931	759	679

Malaysia	800	925	950	150	250	250	0
Denmark	433	167	759	397	554	434	370
United States	964	1,203	726	397	394	296	411
Finland	400	437	539	492	415	385	461
Lithuania	1	0	511	1,383	14,636	10,582	15,016
United Kingdom	823	379	380	399	159	152	30
Germany	605	445	575	2,487	588	502	414
Ukraine	3	2,833	125	0	21	21	5,574
Other	1,456	14,115	18,177	16,094	859	710	1,155

Source: State Customs Service

Exports

Russia does not export noticeable quantities of refined sugar (beet or cane) containing added flavoring or coloring matters (HS Number 170191). Thus, all exports are refined sugar not containing flavoring or coloring matter (HS Number 170199). Russian exports of refined sugar are expected to fall to 100,000 MT in MY 2013/14, as a result of both lower domestic production and stronger competition in Former Soviet markets from other suppliers such as Ukraine.

Table 6. Russia: Exports of Refined Sugar

	2007/ 2008	2008/ 2009	2009/ 2010	2010/ 2011	2011/ 2012	Oct. 2011 – Jul. 2012	Oct. 2012 – Jul. 2013
World	56,333	147,978	31,432	16,897	78,058	76,408	5,055
Kazakhstan	25,442	1,526	12,067	0	0	0	0
Tajikistan	2,237	38,382	10,633	4,732	27,244	27,238	26
Turkmenistan	5,064	13,677	5,227	1,031	11,323	11,323	12
Abkhazia	0	4,114	1,260	399	1,914	934	911
Uzbekistan	8,717	71,738	1,048	3,198	6,553	6,552	54
Mongolia	451	540	691	743	600	483	765
Azerbaijan	5,238	3,869	343	12	15	12	14
United States	142	39	122	119	269	229	292
Armenia	7	10	10	14	9	8	12
Moldova	2	3	3	2,382	1,241	741	501
Kyrgyzstan	1	2	2	4,246	12,508	12,508	832
Georgia	7,891	4	2	0	618	618	1
Other	1,141	14,074	24	21	15,764	15,762	1,635

Source: State Customs Service. This data does not match FAS/Moscow estimates because since 2010 Russia and Kazakhstan are part of a customs Union, and trade is no longer reported between these two countries.

Policy

There are no changes in Russian government policy concerning the Russian sugar industry. High domestic production of sugar beets in 2011 and 2012 was accompanied with significant crop losses both on farm and during the chain of delivery of sugar beets to processing enterprises. Additionally, domestic consumption of sugar has stabilized at 5.4 MMT to 5.6 MMT, and very strong competition with other countries for exports makes large scale exports unlikely. As a result, industry analysts consider that at present Russia does not need any increase in capacity of sugar beet processing, but rather needs to focus on modernizing existing capacity to increase energy-efficiency, decrease sugar losses, and increased

“deep processing”. Also modernization is needed to increase storage capacity of sugar beets and raw sugar, molasses and pulp. Due to the current budget situation with the Agricultural budget, neither sugar beet producers nor processors are expecting any significant increases in governmental support in the coming marketing year.