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Quality of Wheat Crop in Russia in 2016

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Report Highlights:

On February 13, 2017, the Russian Center for Grain Quality Assessment (the Center) at the Federal Service for Veterinary and Phytosanitary Surveillance (VPSS) reported to the Russian Federation Council on the quality of the Russian grain crop in 2016, specifically on the quality of Russian wheat. Wheat is Russia's main grain both in domestic consumption and in exports. Wheat production in 2016 reached a record high of 73 million metric tons (MMT), for 63 percent of the total grain crop.

According to the Center, the volume of food quality wheat (Classes 3 and 4) reached the record level of 51 MMT, or 71 percent of wheat crop. However, both the total volume and the percentage share of wheat Class 3 to total wheat production in 2016 was at the lowest level in the last five years: 16 MMT, or approximately 22 percent of the total wheat crop.

General Information:

On February 13, 2017, the Federation Council, the upper chamber of Russia's major legislative body, discussed the quality of the 2016 Russian grain crop at a meeting devoted to grain supply and use forecasting for the 2016/2017 marketing year. Ms. Yuliya Koroleva, Director of the Center for Grain Quality Assessment (hereinafter – the Center) at the Federal Service for Veterinary and Phytosanitary Surveillance (VPSS), reported on the quality of Russia's grain crop, and specifically the 2016 wheat crop. The Federation Council was concerned that despite the bumper wheat crop in 2016, production of food quality wheat decreased and given the continued high exports of wheat, the Russian food industry may be short of food quality wheat. Wheat is Russia's main grain, both in terms of domestic consumption and in terms of exports. Wheat production in 2016 reached a record high of 73 million metric tons (MMT), comprising 63 percent of Russia's total grain crop. According to the Center, the volume of food quality wheat (Classes 3 and 4) also reached the record level of 51 MMT, or 71 percent of the wheat crop. However, the volume and share of Class 3 wheat to total wheat production was the lowest level seen in the last five years: 16 MMT, or approximately 22 percent of the wheat crop. According to the Center, in 2016, wheat quality decreased primarily due to unfavorable weather conditions during grain maturation in European Russia: high level of precipitation, rainfall and temperatures above 30 degrees Centigrade. However, given that the total production of food quality wheat was high, Russia will be able to meet both domestic demand for human consumption and wheat exports.

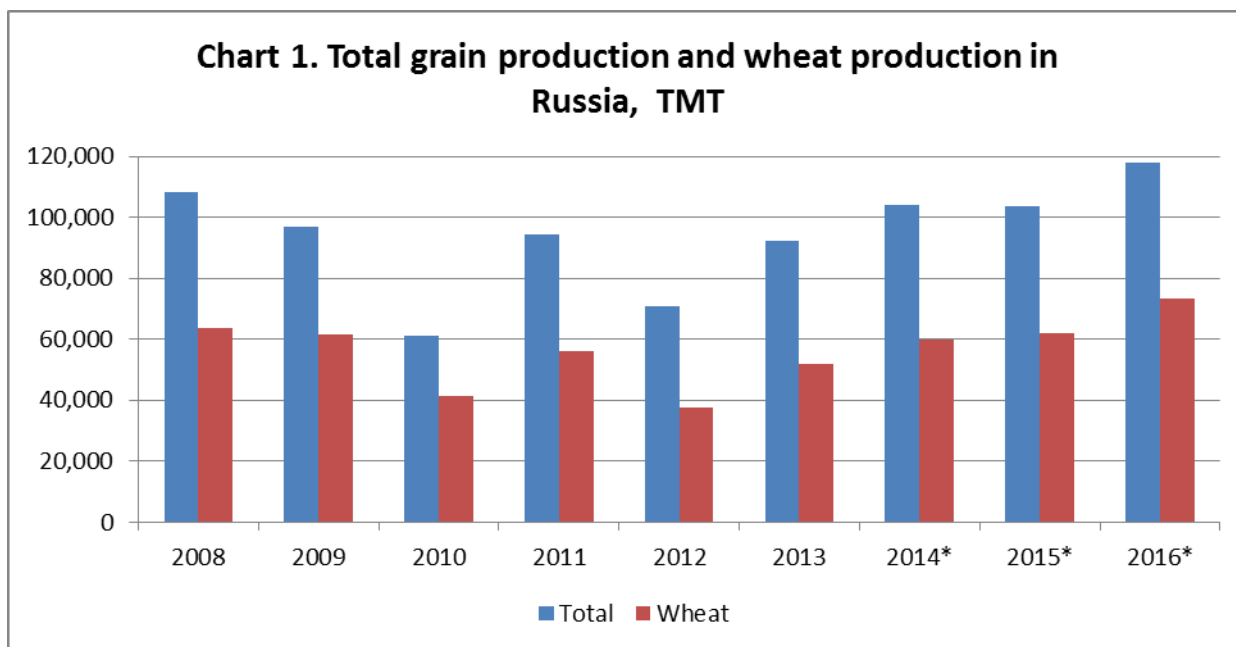
The full text of the presentation (in Russian) can be found on the site of the Center:
<http://www.fczerna.ru/News.aspx?id=7073>.

The summary of the presentation is given below.¹ For clarification of some MY 2016/17 wheat production data (by Federal District), FAS/Moscow used data from the Russian State Statistical Service (Rosstat).

Overall characteristics of quality of Russian wheat in 2008-2016

Production of wheat in Russia during the period 2008 through 2016, varied from 37.7 MMT in 2012 to 73.3 MMT in 2016 (Chart 1).

¹ All grain production and grain quality assessment data in the Center's presentation include Crimea beginning 2014. In 2016, the wheat crop in Crimea totaled 0.76 MMT.



Source: Russian State Statistical Service (Rosstat).

According to the Center, during the 2008 to 2016 period the average production of food quality wheat (wheat Classes 1-4) was 41,894 thousand metric tons (TMT), or 71 percent of the average wheat crop, and production of non-food quality wheat was 14,400 TMT, or 29 percent of the average. Production of food quality wheat varied from year to year, and the lowest production of food quality wheat was in 2012 (approximately 29 MMT), when the total wheat crop was also at the lowest. Non-food quality wheat in this year was less than 9 MMT. However, the share of food quality wheat in 2012 reached almost 80 percent. The highest level of production of food quality wheat was in 2016 (50.8 MMT), although its share in the total wheat production was only 71 percent.² According to grain industry analysts, Russia's wheat crop is still very dependent on weather, and along with increased volume of wheat crop, food quality characteristics of wheat deteriorate.

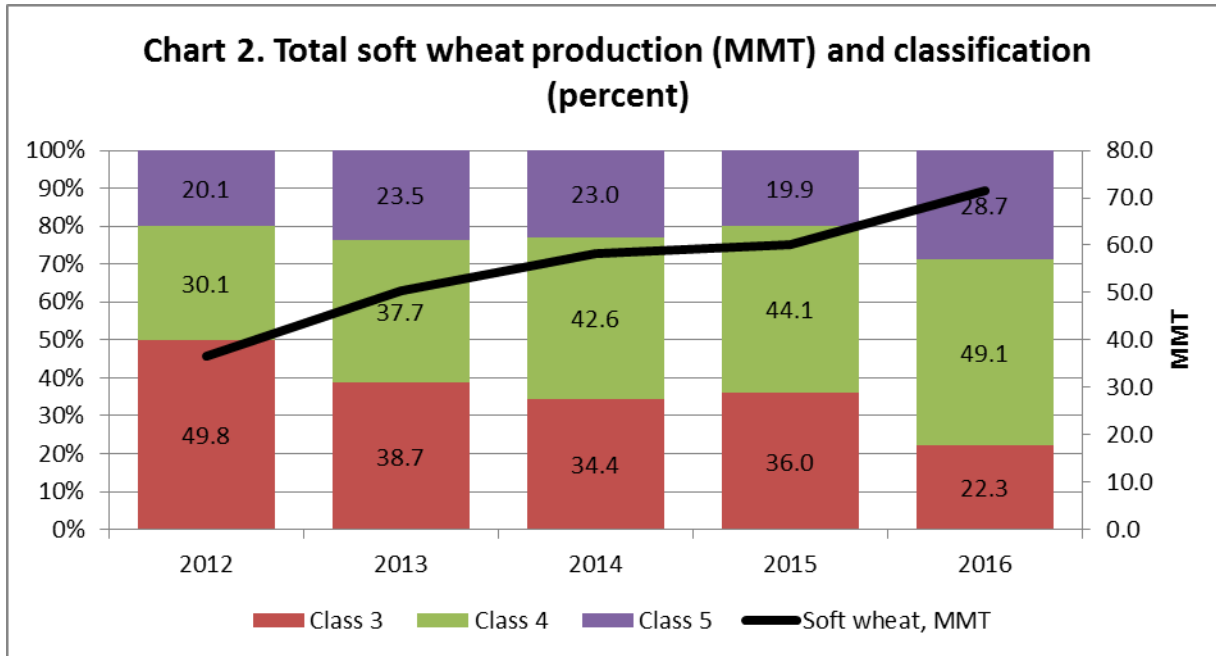
Quality of Russia's soft wheat in 2012-2016

Almost 99 percent of Russia's wheat crop is soft wheat, while hard, or durum wheat³ is less than 1 percent of the total wheat crop. The Center's report analyzes primarily the quality of soft wheat by classes. Russian classification of wheat is based primarily on the content and quality of gluten, which determine the baking quality of wheat. Soft wheat is classified from Class 3 (the best baking characteristics) to Class 5 (feed quality). According to the Center's data, observing from 2012 (the lowest wheat crop in the last 12 years) to 2016, the ratio of milling wheat Class 3 to the total wheat crop decreased, while the ratio of wheat Class 4 to the total crop grew. In 2016, the bumper crop also

² Data are derived from slide 3 of the Center's presentation.

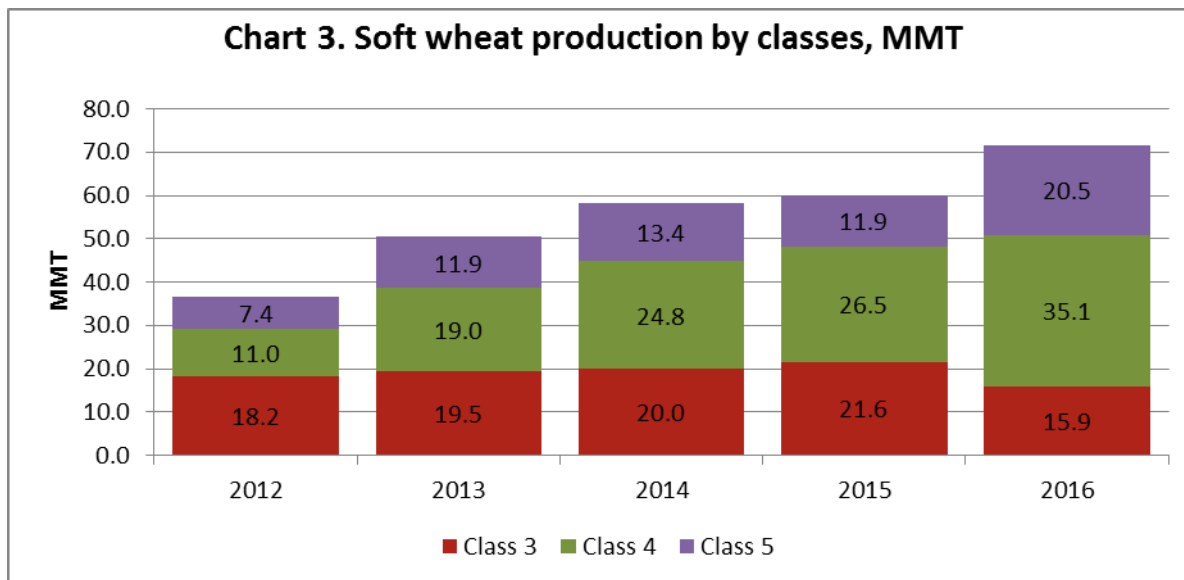
³ These are primarily wheat Class 1 and Class 2, which are used for best quality pasta. The share of hard wheat in the wheat surveyed by the Center decreased from 1 percent in 2012 to less than 0.1 percent in 2016. Production of Class 1 and Class 2 wheat depends first of all on the weather and secondly, on the soil fertility and climate. An overall decrease in soil fertility in the traditional area for hard wheat production (some regions of Southern Ural and West Siberia), an increased use of winter wheat varieties with higher yields, coupled with rainy weather in 2016 (rains wash off/decrease quality of gluten) drastically decreased production of hard wheat: <http://www.fczerma.ru/News.aspx?id=6445> (in Russian)

resulted in an increased share of feed quality wheat (Chart 2).



Source: FAS/Moscow based on data from Center’s report

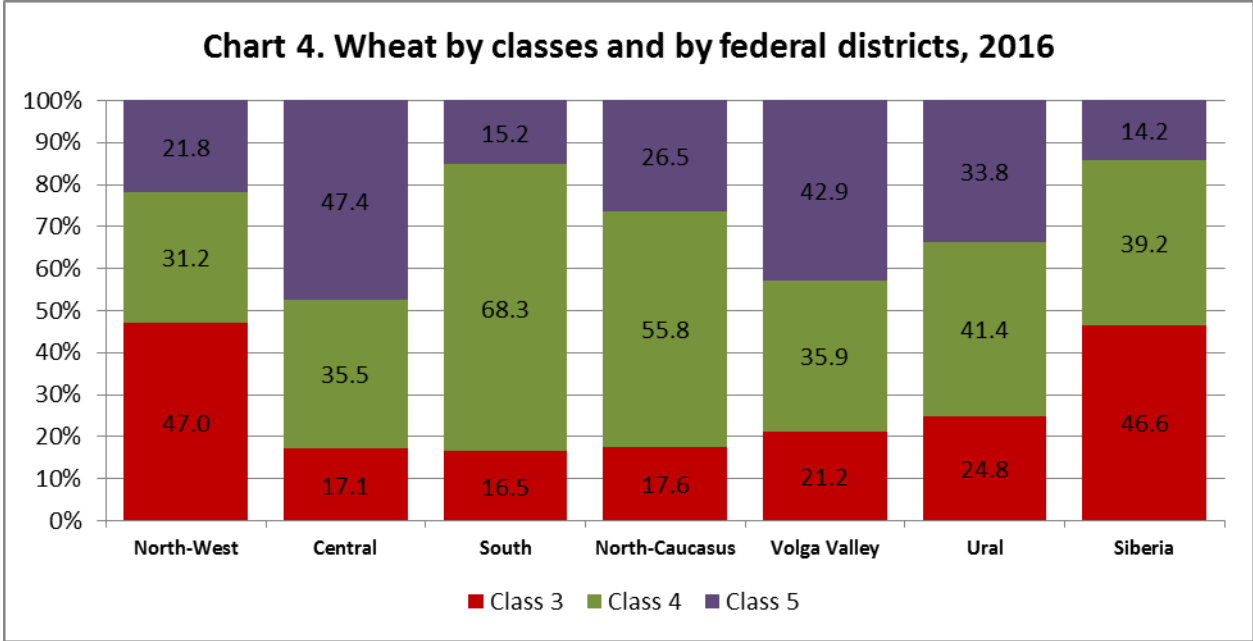
Based on the classification of soft wheat crop in 2016, by percent (Chart 2), and Rosstat data on wheat production, FAS/Moscow estimated that in 2016 Russia produced 15.9 MMT of soft wheat Class 3, 35.1 MMT of soft wheat Class 4, and 20.5 MMT of soft wheat Class 5 (Chart 3). Thus, production of soft wheat Class 3 was the lowest in the last 5 years.



Source: FAS/Moscow based on data from Center’s report and Rosstat data.

Soft wheat quality significantly varies by federal districts. The Center surveyed 37.4 MMT of soft wheat in 37 regions across 7 federal districts.⁴ The volume of surveyed soft wheat represented 52.5 percent of the total soft wheat production in these federal districts (71.2 MMT).

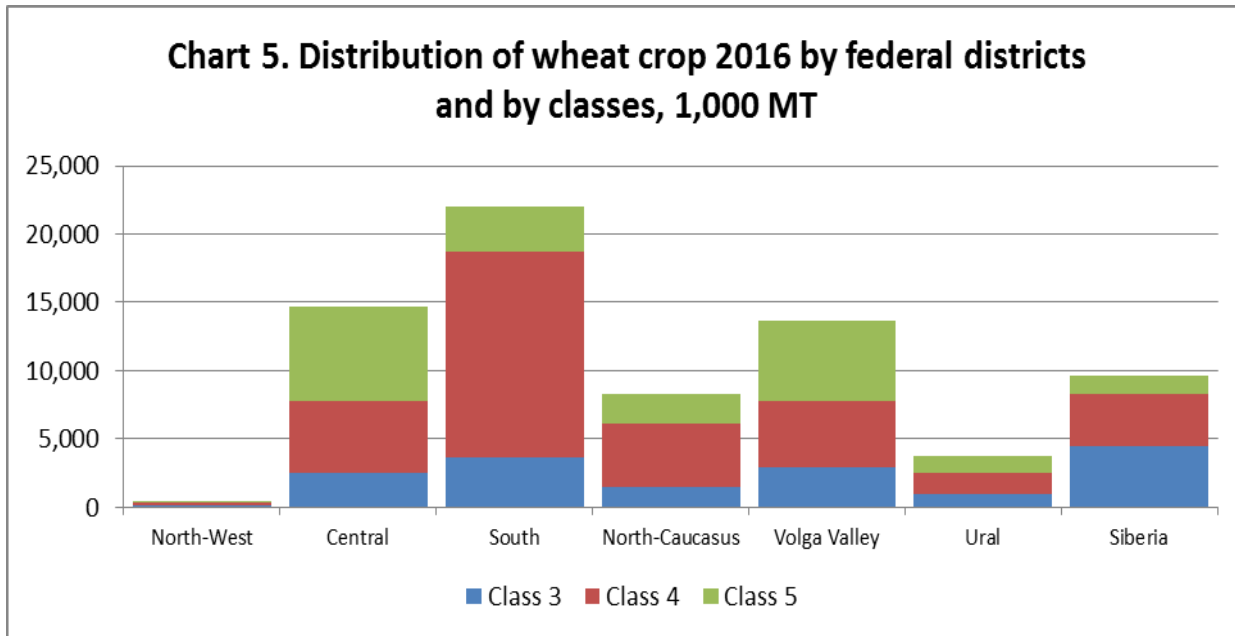
The table below shows that the biggest share of Class 3 wheat was in Siberia Federal District (46.6 percent) and the lowest was in the Southern Federal District (16.5 percent).



Source: FAS/Moscow based on Center’s data

FAS/Moscow assumes that the Center’s survey is representative. Chart 5 is based on Rosstat data for wheat production in 2016, by federal districts, and the Center’s estimates of the share of wheat by class and by federal district.

⁴ Center did not provide data on the classification of soft wheat in the Far Eastern Federal District, which accounted for less than 1 percent of Russia’s total wheat production.

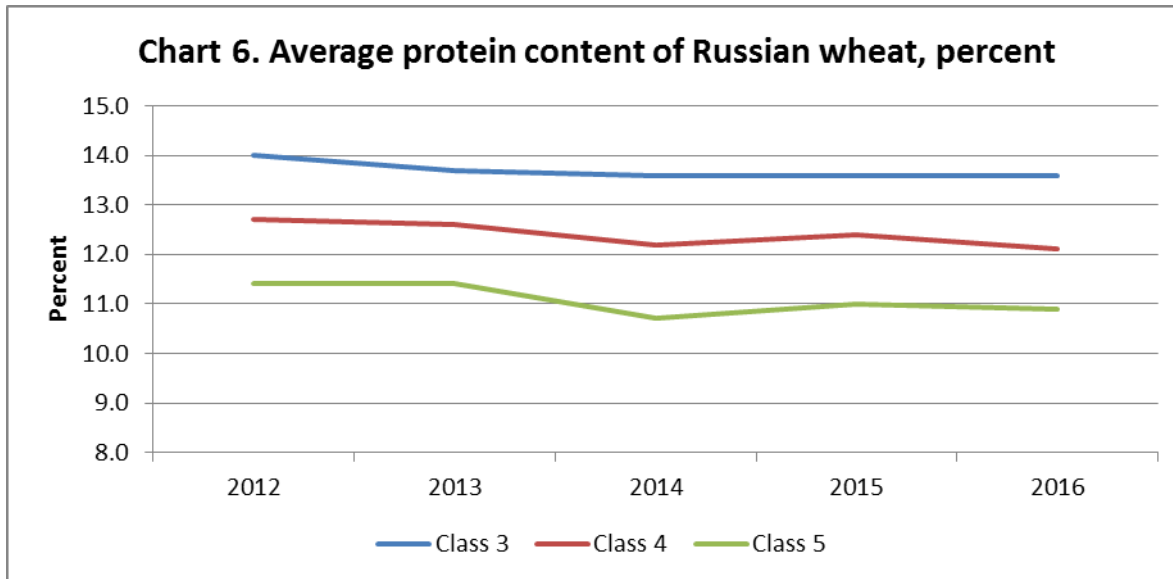


Source: FAS/Moscow based on the Center's data and Rosstat data

Quality of exported wheat

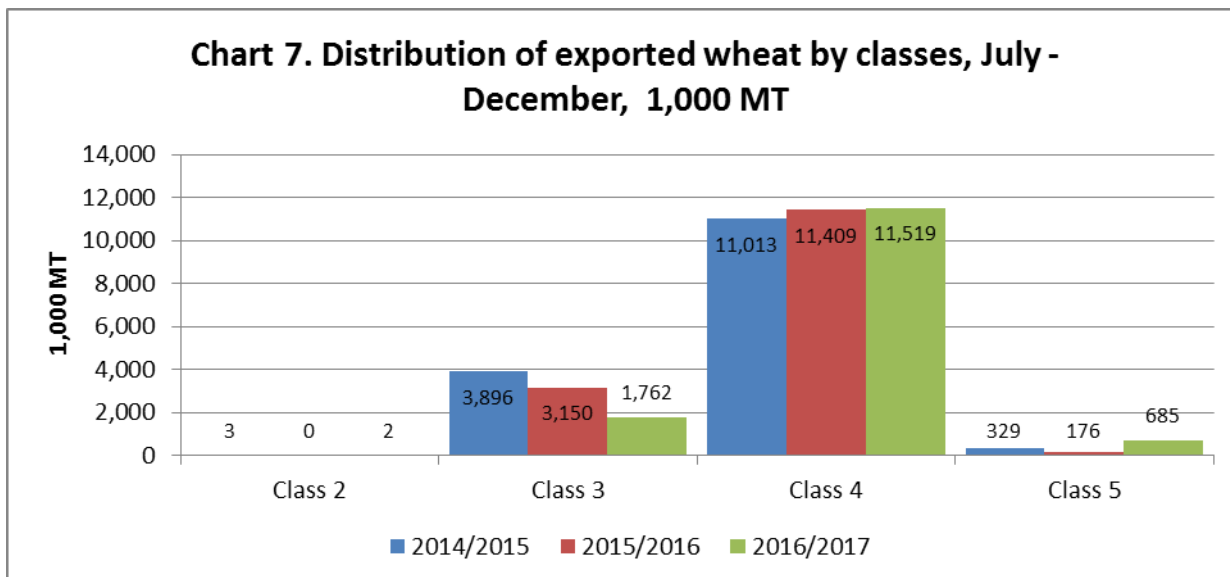
Prior to the Federation Council meeting on February 13, 2017, some industry analysts expressed concern that exports of top grade food quality wheat (Class 3) may result in a shortage of Class 3 wheat for milling for the food industry in MY 2016/2017. However, the Center reported that export of top grade food quality wheat has decreased in 2016/17.

In export contracts, one of the major characteristics of the quality of wheat is protein content. According to the Center, the protein content in Russian wheat decreased during the period 2012 to 2016, but not significantly. The average protein content of Class 3 wheat decreased from 14.0 percent in 2012 to 13.6 percent in 2016, the average protein content of Class 4 wheat decreased from 12.7 percent to 12.1 percent, and the average protein content of Class 5 wheat decreased from 11.4 percent in 2012 to 10.9 percent in 2016.



Source: FAS/Moscow based on the Center's report.

The Center provided data on the classes of exported wheat. According to the Center,⁵ in MY 2015/2016, Russia exported 21.5 MMT of wheat (8 percent more than in MY 2014/15), including 5.6 MMT of wheat Class 3 (up 1.3 percent y-o-y), 15.75 MMT of wheat Class 4 (12.4 percent up y-o-y), and 0.2 MMT of wheat Class 5 (minus 43.1 percent y-o-y). However, in MY 2016/2017 the share of wheat Class 3 decreased, while the share of wheat Class 4 increased. The results of the survey of exported wheat, by class, in the first half of MY 2016/17 (July – December 2016) compared with the same period in MY 2014/2015 and 2015/2016 are provided in Chart 7.



Source: FAS/Moscow based on Center's data

⁵ The Center's export data are based on the issued quality certificates for exported grain, and these data are close, but not always equal to the official data of the Russian Customs Service (ROSSTAT) for monthly exports of grain.

The Center also provided data on the protein content of wheat class 3 and class 4, exported to various countries during the period July 1, 2016 through January 25, 2017 (slides 12 and 13 of the Center's report). The average protein content of exported Class 3 wheat was 13.6 percent, with a minimum of 12.5 percent and a maximum of 16.5 percent. By country, the average protein content of Class 3 wheat varied from 13 percent for wheat exported to Peru (maximum – approximately 13.2 percent) to almost 14.5 percent for wheat exported to Italy (minimum – approximately 13.6, and maximum 16.4 percent). The average protein content of wheat Class 4 exported during the period July 1, 2016 through January 25, 2017, was 12.3 percent, with a minimum of 10.9 percent and a maximum of 12.5 percent. By country, the average protein content of wheat Class 4 varied from approximately 11.9 for wheat exported to Lebanon (minimum – 11.8 percent, maximum – 12.2 percent) to 12.4-12.6 percent for wheat exported to most countries that receive Russian Class 4 wheat. The minimum protein percent was found in shipments of wheat Class 4 to Bangladesh (10.9 percent) and the maximum protein content was found in shipments of wheat Class 4 to Kenya (12.5 percent).