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Government Grain Policy and Procurement Prices in MY 2009

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Grain and Feed

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Report Highlights:

According to Russia's Minister of Agriculture Elena Skrynnik, grain intervention (procurement) prices for MY 2009 will not change from the current level: 5,500 rubles per metric ton (R/MT) for Class 3 wheat and 4,900 R/MT for Class 4 wheat in European Russia, and 6,000 R/MT of Class 3 wheat and 4,800 R/MT for Class 4 wheat in Ural, Siberia and the Russian Far East. The Ministry of Agriculture can correct prices at any time throughout the year. Federal funds for these interventions are set at 20 billion rubles. Along with continued grain procurement, the government will increase its role in the grain market through the State United Grain Company, control over inputs supply prices, and through grain exports on terms of aid and within inter-government tight contracts

General Information:

On March 30, 2008, the Ministry of Agriculture set the MY 2009 government intervention (procurement) prices for food quality wheat and rye at the following levels: 5,500 rubles per metric ton (MT) for milling wheat, Class 3, in the Central, Southern, and Volga Valley Federal Districts, and 6,000 rubles for Ural, Siberia, and Far Eastern Federal Districts. Procurement price for milling wheat, Class 4 will be 4,900 rubles and 4,800 rubles respectively. Price of milling rye will be 3,900 rubles for all Federal districts. Grain procurement prices for fodder wheat (soft wheat, Class 5), for corn and fodder barley have not been determined. According to the Minister of Agriculture Elena Skrynnik, the ministry can correct prices in accordance with changes in the domestic and world grain markets. Grain procurement prices for grain were updated several times in 2008 in accordance with the harvest forecasts and price situation in the domestic grain markets (Table 1). As of April 2, 2009, the government purchased 8.7 million metric tons (MMT) into intervention fund for 40.7 billion rubles (\$1.2 billion), including 2.1 MMT of milling wheat Class 3, 2.4 MMT of milling wheat Class 4, 2.1 MMT of fodder wheat, Class 5, 200,000 MT of rye, 1.4 MMT of fodder barley, and 300,000 MT of corn. According to Minister Skrynnik, the Russian government will allocate 20 billion rubles (\$600 million) for grain procurement interventions in MY 2009. Announcing the procurement prices, Minister Skrynnik also outlined other administrative tools to influence the grain market in MY 2009 including: the State United Grain Company may start working by the beginning of harvest [1] ; the government intends to increase grain exports through humanitarian aid and on inter-government tied credits; the new State fuel company may start supplying fuel and lubricants to farmers in the inter-seasonal periods at lower than average market prices. According to Minister Skrynnik, the government agreed to create a special fuel-supply company following the government decision to fix fuel prices for farmers at the mid-January level [2] .

	Mar. 26, 2008		Aug. 12, 2008		Oct. 29, 2008		Nov. 24, 2008		Jan. 2009**		Mar. 30, 2009	
	R/MT	\$/MT	R/MT	\$/MT	R/MT	\$/MT	R/MT	\$/MT	R/MT	\$/MT	R/MT	\$/MT
Soft milling wheat, Class 3												
- Central, North-Western, Volga Valley, Southern Federal Districts	5,100	215.19	5,100	215.19	5,500	201.47	5,500	198.84	5,500	169.75	5,500	161.72
- Ural, Siberian, Far-Eastern Federal Districts	5,000	210.97	5,000	210.97	5,500	201.47	6,000	216.92	6,000	185.19	6,000	176.42
Soft milling wheat, Class 4												
- Central, North-Western, Volga Valley, Southern Federal Districts	4,900	206.75	4,900	206.75	4,900	179.49	4,900	177.15	4,900	151.23	4,900	144.08
- Ural, Siberian, Far-Eastern Federal Districts	4,800	202.53	4,800	202.53	4,800	175.82			4,800	148.15	4,800	141.13
Soft wheat, Class 5												
- Central, North-Western, Volga Valley, Southern Federal Districts			4,100	173.00	4,100	150.18	4,100	148.23	4,000	123.46		

- Ural, Siberian, Far-Eastern Federal Districts			4,000	168.78	4,000	146.52	4,000	144.61	4,000	123.46			
Food rye, Group "A"													
- all Federal Districts		3,900	164.56	3,900	164.56	3,900	142.86	3,900	141.00	3,900	120.37	3,900	114.67
Feed barley													
- all Federal Districts			3,800	160.34	3,800	139.19	3,800	137.38	3,800	117.28			
Corn, Class 3													
- all Federal Districts							4,000	144.61	4,000	123.46			
Ruble/US\$ exchange rates		23.70		24.57		27.30		27.66		32.40		34.01	
* Russia exports less than 20 percent of grain crop, and domestic grain trade is in Rubles. US\$ equivalent is calculated by Post based on the exchange rates on the price announcement days													
* In January 2009, Min Ag increased the ceiling procurement price of milling wheat Class 3 and Class 4 to 6,850 rubles and 6,250 rubles for several provinces of the North-West, Central, and Volga Valley Federal District in effort to compensate the cost associated with storage shortage in these provinces and the necessity to ship grain from these provinces to the distant elevators in Siberia for storing. For more information see GAIN RS9002 Government Strengthens Grain Market Control													

Grain producers welcome the fact that for the second year in a row intervention prices have been announced before the spring sowing started. However, given the current economic crisis and uncertainty of the ruble's future value, the announced prices do not guarantee real stability to Russian grain farmers' incomes. The government allocations for grain interventions in 2009 will be 45 percent less than what the government has already spent for grain procurement interventions in MY 2008. Thus, volume of State grain procurement in MY 2009 may be lower than in MY 2008. In case of another large grain crop, the pressures of another grain surplus on the grain market would increase and domestic grain prices would likely start falling.

^[1] The Order on Creation of this Company was signed by the Russian president Vladimir Medvedev on March 20, 2009. For more information see GAIN RS9022 Russia's Federal United Grain Company Created.

^[2] Creation of this company was discussed as a possible tool to keep fuel and lubricants prices for farmers at lower than market level in the pre-sowing and pre-harvesting seasons. For more information see GAIN RS9017 Government Fixed Diesel Fuel and Gas Prices for Farmers