

Voluntary - Public

**Clearance Office:** Office of Global Analysis (OGA)

**Date:** 04.06.2009

**GAIN Report Number:** RS9037

## Russian Federation

**Post:** Moscow

### Grain Procurement Interventions Completed

**Report Categories:**

Grain and Feed

**Approved By:**

Mary Ellen Smith

**Prepared By:**

Yelena Vassilieva

**Report Highlights:**

On May 21, 2009, Russia completed state grain procurement interventions having purchased a total of 9.6 MMT for 46.1 billion rubles (\$1.46 billion). The Ministry of Agriculture forecasts that in 2009 Russia may produce over 90 million metric tons (MMT) of grain and some experts forecast Russia's grain production at 94-98 MMT in 2009. Russia's grain exports in MY 2008 may reach the historic high 22 MMT.

**Executive Summary:**

On May 21, 2009, Russia completed state grain procurement interventions purchasing a total of 9.6 MMT for 46.1 billion rubles (\$1.46 billion). The Russian Agricultural Minister Yelena Skrynnik confirmed that in 2009 Russia may produce over 90 million metric tons (MMT) of grain, but a lot will depend on the weather. Independent experts forecast Russia's grain production at 94-98 MMT in 2009. Russia's grain exports in MY 2008 may reach the historic high 22 MMT. However, end-of-year stocks still may be at one of the ever-highest levels reaching 21.0 MMT, including 8.7 MMT of intervention stocks, and will put pressure on domestic grain prices. Given the overall budget constraints, federal allocations for grain procurement intervention in MY 2009 will drop by over 60

percent from MY 2008 level and the government grain procurement may decrease sharply. The Ministry of Agriculture works on creation of the United Grain Company (UGC), which should regulate Russian grain market through development of grain storing and exports infrastructure. The present budget constraints might postpone these endeavors. Given the growing competition in the world grain markets, experts forecast grain exports decrease in MY 2009 to 20-21 MMT.

## **General Information:**

### Sowing progress and 2009 crop forecast

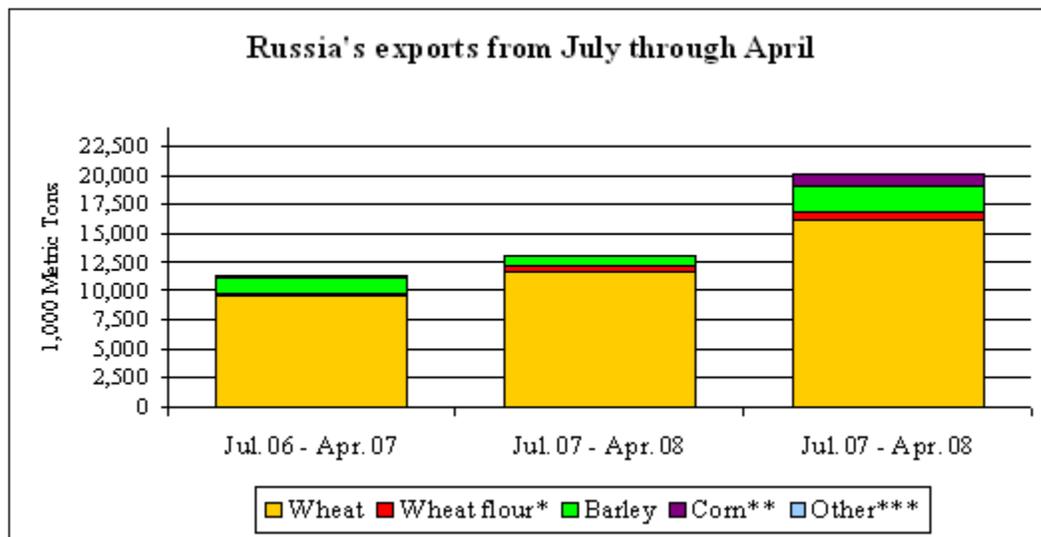
According to the Russian Agricultural Minister Yelena Skrynnik, in 2009 Russia may produce over 90.0 MMT of grain, although the forecasts will be corrected by weather and other factors. The Ministry of Agriculture provided the following data on spring sowing in agricultural enterprises<sup>[1]</sup>: as of May 26, 2009, spring grains and legumes (without corn) were sown on 19.1 million hectare, including 255,370 hectares of re-sown winter-kill and damaged area; the spring sown area as of May 26 was 83 percent of the projected plantings, and was 5 percent less than on the same date in 2008; spring wheat was sown on 8.3 million hectares (81.6 percent of planned area, and 2 percent less than a year ago on the same date); spring barley was sown on 5.8 million hectares (86 percent of planned area, and 4 percent less than on the same date a year ago); rice was sown on 149,000 hectares or 97 percent of plan, 9 percent more than on the same date in 2008; corn for grain and green chop was sown on 1.84 million hectares, including 925,000 hectares were sown with corn for grain (62 percent of planned area, and 24 percent less than on the same date last year). In April spells of cold in the Southern Russia damaged crop, but, according to information from the fields, damaged fields were re-sown, and winter grain crop in general is in good condition. Given that winter grain area is bigger than a year ago, and crops survived on 16.2 million hectares vs 15.5 million hectares in 2008, experts forecast that the total grain sown area might exceed 47 million hectares. Experts forecast grain crop in 2009 at 94-100 MMT in spite of the late spring sowing.

### Trade

Due to relatively low domestic prices, and 50 percent devaluation of ruble from August 2008 through February 2009 Russia increased grain exports to historic highs. Russia's total grain exports in June – 2008 through April 2009 reached 20.15 MMT (including 16.79 MMT of wheat and flour in grain equivalent, 2.33 MMT of barley, and 0.99 MMT of corn, and 45,000 metric tons of other grains). These exports are 53 percent higher than in July 2007 – April 2008<sup>[2]</sup>. Wheat were exporting primarily to Egypt, Turkey, Pakistan and Azerbaijan (56 percent of the total), barley was exported to Saudi Arabia and Syria (61 percent of exports). On a year-to-year basis wheat and wheat flour exports increased by 40 percent, barley exports increased by over 120 percent, and corn

exports increased by 19.5 times from only 51,000 metric tons in July – April last year.

**Graph 1. Grain Trade Update**



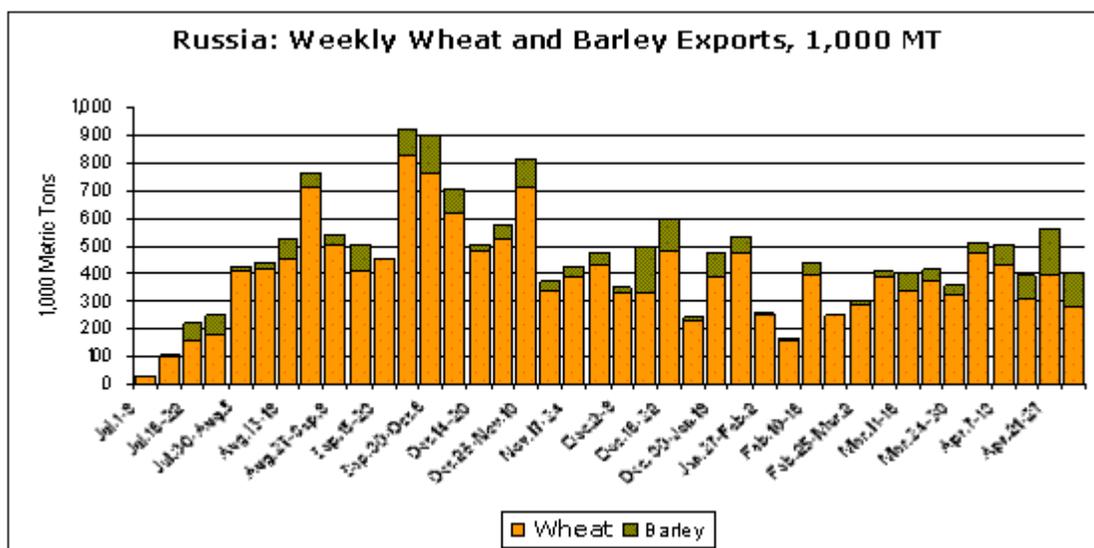
\*Wheat flour is in grain equivalent

\*\* MY for corn begins in October. July is taken for more correct comparison

\*\*\* includes WTA data on exports of rye, rice, oats, and other cereals in July - March

Source: World Trade Atlas, SovEcon

**Graph 2. Russia: Weekly Exports of Wheat (without flour) and Barley**



Source: Ministry of Agriculture

The big 2009 crop, storage shortage, and slow development of domestic grain consumption (Russia's bio-ethanol production is minimum, feed consumption increases slowly) stimulated the Russian Government to support grain exports. On May 30, 2009, Minister of Agriculture Yelena Skrynnik informed that Ministry is developing mechanisms to use intervention grain stocks for exports and for domestic livestock. By now almost all grain has been exported by private companies, and ten biggest grain exporters account for 62 percent of Russia's grain exports. The Russian Government tries to expand markets for Russian grain exports through bi-lateral negotiations. Exports to most of CIS and to Mongolia increased. Russian authorities hope to open Japanese and Brazilian markets for Russian grain as well. Exports increased their grain exports estimates in MY 2008 to 22.1 MMT<sup>[3]</sup>, including 18.0 MMT of wheat and flour in grain equivalent.

Rank	Country	Jul 07 – Apr 08	Jul 08 - Apr 09
0	--The World--	11,584.4	16,225.4
1	Egypt	3,361.8	4,401.1
2	Turkey	693.1	1,988.9
3	Pakistan	256.7	1,430.3
4	Azerbaijan	362.2	1,184.9
5	Syria	24.4	688.8
7	Jordan	500.8	595.8
8	Bangladesh	314.1	583.4
6	Iran	0.0	556.8
9	Yemen	172.6	460.2
10	Libya	554.8	409.3
11	Tunisia	495.2	372.5
12	Israel	359.9	305.6
16	Iraq	0.0	298.4
13	Armenia	183.1	286.6
14	Georgia	299.7	271.7
17	Kenya	123.6	262.8
15	Lebanon	252.1	232.6
20	Sudan	0.0	187.6
18	Italy	591.1	183.1
19	Tanzania	121.6	145.5
21	Greece	395.3	143.0
22	Mongolia	29.4	136.4
25	Albania	187.7	121.4
23	United Arab Emirates	27.1	112.8
24	Saudi Arabia	0.0	111.5
	Other	2,277.9	754.6

Source: World Trade Atlas, SovEcon

Rank	Country	Jul 07 – Apr 08	Jul 08 - Apr 09
0	--The World--	424.7	566.9
1	Afghanistan	13.1	173.9
2	Mongolia	111.6	95.0
3	Azerbaijan	13.4	92.1
4	Uzbekistan	26.3	82.7
5	Tajikistan	107.4	40.7
6	Georgia	123.5	21.6
7	Turkmenistan	0.5	15.0
8	Kyrgyzstan	11.6	12.4
9	Abkhazia	0.0	7.6
10	Kazakhstan	1.8	6.6
11	Moldova	4.8	5.1
12	Philippines	0.0	3.3
13	Ukraine	3.2	3.2
14	Armenia	5.0	2.4
15	South Ossetia	0.0	1.9

Source: World Trade Atlas, SovEcon

Rank	Country	Jul 07 – Apr 08	Jul 08 - Apr 09
0	--The World--	1,041.3	2,325.6
1	Saudi Arabia	400.7	1,011.8
2	Syria	1.0	417.7
3	Iran	0.0	234.1
8	Jordan	247.9	127.5
4	Israel	44.1	98.4
5	Tunisia	107.6	83.6
6	Cyprus	5.7	66.7
7	Turkey	15.6	58.4
	Other	218.6	227.4

Source: World Trade Atlas, SovEcon

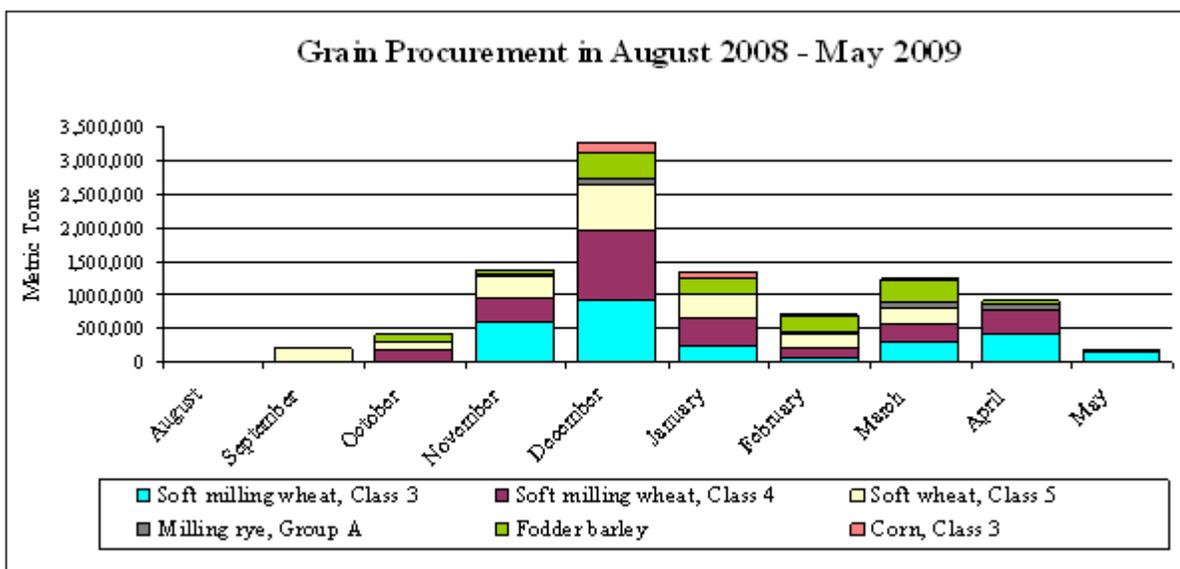
### Grain Interventions

State grain procurement interventions ended on May 21, 2009. In course of interventions the Government purchased 9.7 million metric tons of grain (MMT), including 5.4 MMT of milling quality wheat (Classes 3 and 4), 2.1 MMT of feed wheat, 1.5 MMT of feed barley, 326,000 metric tons of food rye, and 300,000 metric tons of corn. Since beginning of interventions the Government spent 46.1 billion rubles (\$1.46 billion) for grain purchase.

Commodity	Purchases, Metric Tons	Average Price		Value of Purchased Grain	
		Ru/MT	\$US/MT	1,000 Ru	1,000 \$US

Soft milling wheat, Class 3	2,657,512	5,845	185.6	15,533,114	493,114,725
Soft milling wheat, Class 4	2,736,115	5,102	162.0	13,958,584	443,129,642
Soft wheat, Class 5	2,145,360	4,046	128.4	8,680,360	275,567,005
Milling rye, Group A	327,717	3,888	123.4	1,274,131	40,448,614
Fodder barley	1,460,890	3,724	118.2	5,440,094	172,701,383
Fodder corn, Class 3	299,565	3,991	126.7	1,195,684	37,958,229
TOTAL	9,627,159			46,081,967	1,462,919,597
Source: NAMEX					
*Exchange rate of Russian Rubles on May 22, 2009 was 32.5 Rubles per \$1					

**Graph 3. Russia: State Grain Procurement Interventions by Months**



Source: NAMEX

### Stocks

There are no official estimates of the end-of-year grain stocks. Experts forecast that by beginning of MY 2009, the total carry-over stocks of grain may exceed 21 MMT, including minimum 8.5 MMT of state intervention grain<sup>[4]</sup>. These stocks may be the highest in the last 15 years, and will put pressure on domestic prices. These stocks, especially intervention stocks, occupy most of grain elevators capacity in the European Russia, creating storing and transportation problems for the 2009 crop in this area. The federal United Grain Company<sup>[5]</sup> is still at the formation stage, and is unlikely to improve Russia's grain storage infrastructure in MY 2009, although development of infrastructure was one of its declared goals. It is expected that approximately 2.0 MMT of intervention grain could be sold abroad through this company in MY 2009. However, amendments to the Russian legislature on grain interventions should be made in order to allow this company to

distribute intervention grain. Experts predict that competition in the grain markets will increase in MY 2009. Given the tight federal budget, and expected 40 percent decline in financing agriculture, and the Government might increase policy-related efforts to develop new markets for Russian grain (i.e. Cuba, Brazil) in addition to the traditional ones.

---

<sup>[1]</sup> Agricultural enterprises account for approximately 80 percent of Russia's grain production.

<sup>[2]</sup> In March 2008 Russia's grain exports practically stopped due to introduction of temporary prohibitive export duties, which lasted by July 1, 2008.

<sup>[3]</sup> Source: SovEcon

<sup>[4]</sup> Source: SovEcon

<sup>[5]</sup> For more information see GAIN report RS9022 Grain and Feed / *Russia's Federal United Grain Company Created*