

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY  
USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT  
POLICY

Required Report - public distribution

**Date:** 3/29/2013

**GAIN Report Number:** RS1317

## **Russian Federation**

### **Grain and Feed Annual**

#### **Grain and Feed Annual 2013**

**Approved By:**

Levin Flake

**Prepared By:**

Yelena Vassilieva

**Report Highlights:**

For 2013, FAS/ Moscow's initial crop forecast is for a recovery from the drought-impacted 2012 crop, with total grain production expected up 15 MMT (21 percent) to 86 MMT. This forecast includes 50 MMT of wheat, 16 MMT of barley, 7 MMT of corn, and 13 MMT of other grains, such as rye, oats, rice (rough), millet, triticale, buckwheat, sorghum, and pulses. Given attractive world grain prices, these grain volumes are expected to allow Russia to export approximately 20 MMT of grain, including 15 MMT of wheat, 3 MMT of barley, 1 MMT of corn, and approximately 1 MMT of other grains and pulses.

## **Executive Summary:**

Assuming average weather conditions during the growing season, FAS/Moscow forecasts Russia's 2013 grain production at 86 million metric tons (MMT), 15 MMT (21 percent) higher than drought-affected 2012, and close to the 5-year average. By crop, 2013 forecasts are the following: wheat - 50 MMT, 12 MMT higher than the 2012 crop (which was the smallest crop in a decade); barley - 16 MMT, 2 MMT more than in 2012; and corn - 7 MMT, 1 MMT below the record of 2012. Production of rye, oats, rice and millet are only expected to increase slightly from 2012, while pulse production is expected to continue its rapid growth following the growing demand for Russian chickpeas and other pulses in foreign markets.

Grain production forecasts are very preliminary (especially as spring crops - which typically account for around 60 percent of total grain production - will not be planted for a number of weeks). However, there are a number of factors which are expected to contribute to increased overall 2013 production.

These include:

- Winter grain conditions in the Southern and North Caucasus federal districts, the major winter grain producing areas, are much better than last year, when spells of hot dry spring weather affected winter grains;
- Soil moisture in the Urals and Siberia (which experienced very poor crops last year) is higher than in 2012 as a result of increased snow cover;
- Incomes of grain farmers increased in MY 2012/13 due to increased domestic grain prices which could result in larger investments and improved agronomic practices.

Despite these positive factors, there continue to be some negative factors which could limit the production increase:

- The Ministry of Agriculture estimates winter-planted grain area down 3 percent from last year;
- Despite the improved financial situation of crop producers in 2012/13, outstanding debts of many farmers remain high, and a significant portion of farm income will be spent on interest rate and debt payments;
- Government support to crop producers is expected to decrease in 2013. Per hectare direct payments, which are replacing price supports for fuel, fertilizer and planting seeds for farmers, are only 1/3 of the amount given previously. In addition, interest rate compensation for crop producers beginning in 2013 will have to now be shared with grain processors. Moreover, as of the end of March 2013, government financial support for the 2013 growing season had still not yet reached farmers.
- Despite increased grain prices in 2012/13, a shifting of sown area is expected to continue toward non-grain fodder crops and oilseeds, especially soybeans, rapeseed, and non-traditional oilseeds, i.e. flax and flax type-oilseeds. These crops bring farmers more reliable and stable income than grain.

Grain exports for the 2013/14 marketing year are forecast at 20 MMT, up from 2012/13 by 4.5 MMT, but below the record of 26 MMT in MY 2011/12. FAS/Moscow forecasts wheat exports at 15 MMT (from 10.5 MMT in 2012/13), barley exports at 3 MMT (from 2 MMT in MY 2012/13), corn exports at 1 MMT (from a record 2 MMT in MY 2012/13), while exports of other crops, primarily rice and pulses is forecast at nearly 1 MMT total, slightly higher than last year.

Domestic food and industrial consumption is expected to remain at 33 MMT. A small decrease in flour

and cereal consumption, in line with modestly higher incomes of the metropolitan population and changes in consumer preferences, is offset by slightly rising industrial consumption because of increased processing of grain into starches and syrups. Feed (including waste) consumption of grain is forecasted at 33 MMT, a 14 percent increase from 2012, but close to the 5-year average. Drastic reduction in feed consumption in MY 2012/13 was caused by high grain prices, which resulted in decreased feeding and higher slaughter rates at less efficient small farms and back-yard enterprises. Meanwhile, the high feed prices stimulated larger livestock and poultry farms to increase efficiency of feeding in order to cut waste.

Carry-out grain stocks are expected to remain relatively low, and by the end of the 2013/14 marketing year to register at less than 8 MMT.

Direct government support of the grain sector is expected to decrease in 2013/2014 because of changes in the methods of support as well as limited federal budget funds for this domestic support. Livestock and poultry industries remain the priority for government support, rather than crop production. Longer term mechanisms of grain production support as planned by the government, such as for the restoration/improvement of irrigation, crop insurance, and clarity in agricultural land ownership, will likely not be implemented in 2013.

Table 1. FAS/Moscow Post’s Forecasts for MY 2013/2014, 1,000 Metric Tons, 1,000 Hectares

<b>Grain Total</b>	Wheat	Barley	Corn	Rye	Oats	Millet	Rice (milled)	Other	TOTAL GRAIN, incl. rough rice	Grain Total (milled rice)
Area Harvested	24,000	7,600	1,750	1,500	2,800	400	210	2,830	41,090	41,090
Beginning Stocks	5,654	682	192	138	239	0	19	300	7,224	7,224
Production	50,000	16,000	7,000	3,000	4,500	500	710	3,600	85,692	85,310
MY Imports	500	500	200	0	0	0	220	50	1,470	1,470
TY Imports	500	500	200	0	0	0	220	50	1,470	1,470
TY Imp. from U.S.	0	0	0	0	0	0	20	0	20	20
Total Supply	56,154	17,182	7,392	3,138	4,739	500	949	3,950	94,004	94,004
MY Exports	15,000	3,000	1,000	100	0	0	230	500	19,830	19,830
TY Exports	15,000	3,000	1,000	100	0	0	230	500	19,830	19,830
Feed Consumption	13,000	9,000	5,500	200	3,000	200	0	2,100	33,000	33,000
FSI Consumption	22,000	4,400	700	2,600	1,500	300	700	1,200	33,400	33,400

Total Consumption	35,000	13,400	6,200	2,800	4,500	500	700	3,300	66,400	66,400
Ending Stocks	6,154	782	192	238	239	0	19	150	7,774	7,774
Total Distribution	56,154	17,182	7,392	3,138	4,739	500	949	3,950	94,004	94,004
Yield	2.08	2.11	4.00	2.00	1.61	1.25	5.20	1.27	2.09	

Note: The above table is composed of PSD forecasts for each crop, despite differing marketing years. The marketing year for wheat, barley, rye, oats and millet is July-June, the marketing year for corn is September-August, and the marketing year for rice is January-December.

### **Commodities:**

Wheat

Barley

Corn

Rice, Milled

Rye

Oats

Millet

### **Production:**

FAS/Moscow forecasts Russia's total grain production at 86 million metric tons (MMT). If realized, this production would be 15 MMT more than in 2012 (up 21 percent) when the wheat crop was severely affected by abnormal spring temperature fluctuations in European Russia, and summer dryness in spring wheat producing areas. The forecast includes 50 MMT of wheat, 16 MMT of barley, 7 MMT of corn, 3 MMT of rye, 4.5 MMT of oats, 1.1 MMT of rice (rough) and 4 MMT of other grains and pulses. The forecast is based on yield trends, plantings and estimated harvesting area, and assumptions of average weather conditions for the rest of the growing season. Forecasts are very preliminary as spring sowing will only begin in April and May and weather fluctuations can be very pronounced from year to year in Russia.

The Russian Ministry of Agriculture has not yet forecast grain production, but has set 95 MMT as a production target for Russian farmers in 2013, which the Ministry says would allow Russia to meet domestic demand in grain and to continue exports. The Ministry of Agriculture plans to do the first forecast after updating the status of winter grain, possibly in the beginning of April 2013. Forecasts of industry analysts vary from 84 MMT to 97 MMT.

### Sown Area and Yields

According to the Ministry of Agriculture, winter grains in the fall of 2012 were sown on 15.85 million hectares down 3 percent from 2011 (in 2011 area sown was 16.3 million, and in 2010 – 16.1 million

hectares). This total includes 5.3 million hectares in the Southern Federal District and 2.2 million hectares in the North Caucasus Federal District. As of March 20<sup>th</sup>, 2013, 13.9 million hectares are in good and satisfactory condition (88 percent of winter sown area), and 1.9 million hectares, or 12 percent of sown area, are in unsatisfactory condition (thinned out or not-emerged). In the Southern Federal District 4.4 million hectares (83 of sown area) are in good and satisfactory condition, and in the North Caucasus Federal District 1.9 million hectares (86 percent of sown area) are in good and satisfactory condition. These conditions are significantly above last year at this time.

In the Southern and North Caucasus Federal District farmers have started soil dressing and commenced spring sowing in the second decade of March, since the weather has been warm and favorable. Meanwhile, in the Volga Valley and some parts of Central federal districts many fields are still covered with snow, which makes it not possible to assess crop conditions.

The Russian Grain Union views the status of winter grains as even more optimistic than the Ministry of Agriculture. According to the Russian Grain Union, as of the beginning of March, winter grains on 14 million hectares were in good and satisfactory condition, and only 1.8 million hectares were in unsatisfactory condition, and possibly will be re-sown in spring. In the beginning of January conditions were worse, but the situation in January and February improved, and 0.4 million hectares in the Volga Valley and in the Southern European Russia were moved from unsatisfactory to satisfactory condition. The Russian Grain Union reported that, if financial and inputs supply is adequate, then Russian farmers may plant 31 million hectares with spring grains and re-sow winter kill are on 1.8-1.9 million hectares to make the total spring grain planted area of 33 million hectares.

Russian farmers begin spring grain sowing in the very end of March and in April, with corn sowing continuing through May. To date there is no information on farmers' plans for spring sowing. Farmers' decisions this year will depend on price expectations and on financing, including financial support from the federal and provincial budgets that, so far, have been significantly lower than in the previous years.

The Russian Ministry of Agriculture did not forecast spring grain area, but has reported on its plan for spring planted area (all crops), which is 53 million hectares (including the re-sown winter kill of approximately 2 million hectares). The Ministry plan includes increased area sown with corn by 5 percent, pulses by 2 percent, soybeans by 4 percent, and fodder crops by 15 percent. However, the Ministry of Agriculture does not have the ability to enforce production plans or strategy, thus it is unclear if farmers will follow these recommendations.

### Financing

Russia's Agricultural Minister estimated overall farmers' financial "needs" for spring field works at 264 billion rubles (\$8.5 billion). However, to date it is still unclear where farmers will get this money. There are no publicly available data on the present financial status of grain farmers, and estimates of their limited finances for the current season are based on the following considerations:

- While grain farmers' incomes increased in 2012 due to high grain prices, most farmers sold grain in the fall of 2012, long before grain prices reached their maximum;
- Prices of inputs, such as machines, fertilizer, seeds, and fuel increased in the fall 2012 and continue increasing in 2013;
- Farmers' indebtedness has been increasing since 2010 (the year of severe drought) and through marketing year 2011 when a large crop pushed grain prices down. In 2012 grain prices began

increasing only in July, and many banks refused to issue new loans to farmers and to re-structure outstanding debts. Interest rates remain very high (10-14 percent);

- There is a very limited practice, and no regulatory mechanisms, to use future crops as collateral for operating loans.
- The federal financing of agriculture in 2013 decreased and the models of financing have changed in accordance with Russia's WTO commitments. Changes in the methods of support have led to delays in the actual allocation of these (decreased) budget funds to provinces and then to agricultural producers.

The 2013 federal budget allocation for support of crop producers, processors and for marketing of crops through the Ministry of Agriculture will total 46 billion rubles (\$1.48 billion). The major portion of federal money will be spent for partial compensation of interest rates in crop production, processing and marketing loans (16 billion rubles or \$516 million); and the decoupled support payments to crop producers per 1 hectare of sown area (15.2 billion rubles or \$490 million). The decoupled support replaces all previous federal government price supports for fuel, fertilizer, agricultural chemicals and planting seeds for agricultural producers. Industry analysts estimate that this decoupled support of approximately 200 rubles (\$6.45) per hectare, will be just 1/3 as much as previous support. Moreover, according to industry analysts and farmer sources, to date farmers have not yet received any 2013 per-hectare subsidies.

As for subsidies for interest rate compensation, the federal government approved the distribution of the first portion of federal subsidies for the operating loans in crop production, processing and marketing only on March 12, 2013 (<http://www.government.ru/gov/results/23331/>) and it will take time to become operational. Only a small share of the interest rate subsidies is for operating loans for crop production, processing and marketing will go to crop producers, while the larger portion is directed to processors or for the re-financing of general debts of big holding companies. For example, according to the scheme of distribution of interest rate subsidies for operating loans for crop production, processing and marketing, more than 20 percent of distributed federal funds for these purposes are expected go to Belgorod province, despite the fact that this province's share of total Russian crop production is less than 3 percent. This is because Belgorod is the location of large holding companies involved in meat production. More information on the agricultural programs and budget financing of agriculture can be found in the following FAS/Moscow GAIN Reports:

- [Federal Agricultural Budget in 2013 3-13-2013](#);
- [GOR Resolutions on Distribution of Agricultural Subsidies 1-25-2013](#), and
- [Agriculture Development Program 2013-2020 11-6-2012](#).

All federal programs are linked to the provincial programs, and financing begins only if and when the relevant provincial program is adopted. Information on these provincial programs is very limited. But given budget constraints of many provinces, it is unlikely that they will significantly increase support of their farmers.

The government has discussed additional financial support of farmers in view of the tight grain market (FAS/Moscow report: [Russian Government Discusses Grain Situation 2-12-2013](#)) but industry analysts do not expect any additional money before May – June 2013.

### Input Supplies

#### Fuel

In 2013, the Russian government has stopped the fuel price support mechanism for farmers (which had been given for the past 3 years). Fuel prices are increasing and the price of gasoline (automobile fuel)

increased from July 1<sup>st</sup>, 2012 through March 1<sup>st</sup>, 2013 by 8-13 percent depending on the quality of gas. Farmers' procurement prices of diesel fuel increased by 17 percent. It is unlikely that large grain producers will decrease consumption of fuel, since tractors, seeders and other spring cultivation and sowing equipment use is the most crucial part of their field work. However, the increase in fuel prices and farmers' expenses on fuel will increase the cost of production of grain crops in 2013 and this may impact small farmer planting decisions.

### Mineral fertilizer

Despite discontinuation of the federal price support mechanism of fertilizer prices for farmers, the supply of mineral fertilizer for soil dressing and sowing in spring 2013 may be as high as last year due to previously accumulated stocks of fertilizer at subsidized prices. According to the Russian Ministry of Agriculture, as of March 12, 2013, stocks of mineral fertilizer at farms (agricultural producers) were 820,800 metric tons (in active ingredients), which is 101,500 MT more than on the same date last year. These stocks were primarily accumulated by farmers in the fall of 2012, prior to discontinuation of the federal government fertilizer subsidies. Purchases in January and February 2013 of fertilizer were down from the previous years. According to the Ministry of Agriculture, the average price of the most popular fertilizer (including VAT, packaging, transportation and delivery to farms) in 2013 increased compared to 2012 as following:

- ammonia nitrate by +18 percent to 11,990 rubles (\$387) per MT;
- carbamide by +5 percent to 14,851 (\$479) rubles per MT;
- potassium chloride by +15 percent to 10,133 rubles (\$327) per MT;
- azophoska (nitrogen, phosphorus, potassium compound fertilizer) by +6 percent to 16,892 rubles (\$545) per MT; and
- ammophos price remained the same – 22,177 rubles (\$715) per MT<sup>1</sup>.

Large scale grain producers which benefited the most from high grain prices in 2012 have likely purchased sufficient fertilizer for 2013 despite the higher prices. Given normal weather, crop yields at their farms may significantly increase from last year. Meanwhile, the price of fertilizer remains less affordable for small farms, and they will have more incentives to switch from grain to other crops, including oilseeds.

The government has again tried to use administrative resources to encourage private fertilizer companies to provide fertilizer to farmers at beneficial prices. The Ministry of Agriculture initiated an agreement between the Russian Association of Fertilizer producers and the Agro-Industrial Union of Russia "On Interaction", in accordance with which the Association promised to publish on its web-site all information on the fertilizer trade, and declare (monthly) the maximum possible plant-gate fertilizer prices (without VAT and packages and delivery expenses).

### Planting Seeds

According to the Ministry of Agriculture, as of March 19, 2013, the estimated need in planting seeds of grain and pulses (except corn) is 6,024,100 MT, of which 5,881,360 MT or 97.6 percent of needs are already available to farmers, and 83 percent of these available seeds are certified seeds. The Southern Federal District that has started spring sowing already has all necessary seeds, and 98 percent of these seeds are certified seeds. Meanwhile, many grain producers in other federal districts still use so called "saved" seeds for planting which do not have traits for increasing yields.

---

<sup>1</sup> Source: Ministry of Agriculture: <http://mcx.ru/documents/document/show/23204.htm>

The seed quality continues to improve for corn, and this has already resulted in increased yields of corn in the last two years. Most of these seeds are hybrids of domestic varieties, but imports of planting seeds of corn have also been increasing, with Romania and Hungary being the largest suppliers. Estimated demand (“need”) in planting seeds for corn is 79,900 MT, and availability by the end of March 2013, is 44,450 MT, or 55.6 percent of needs. Roughly 99.4 percent of available corn planting seeds are certified seeds.

Machinery

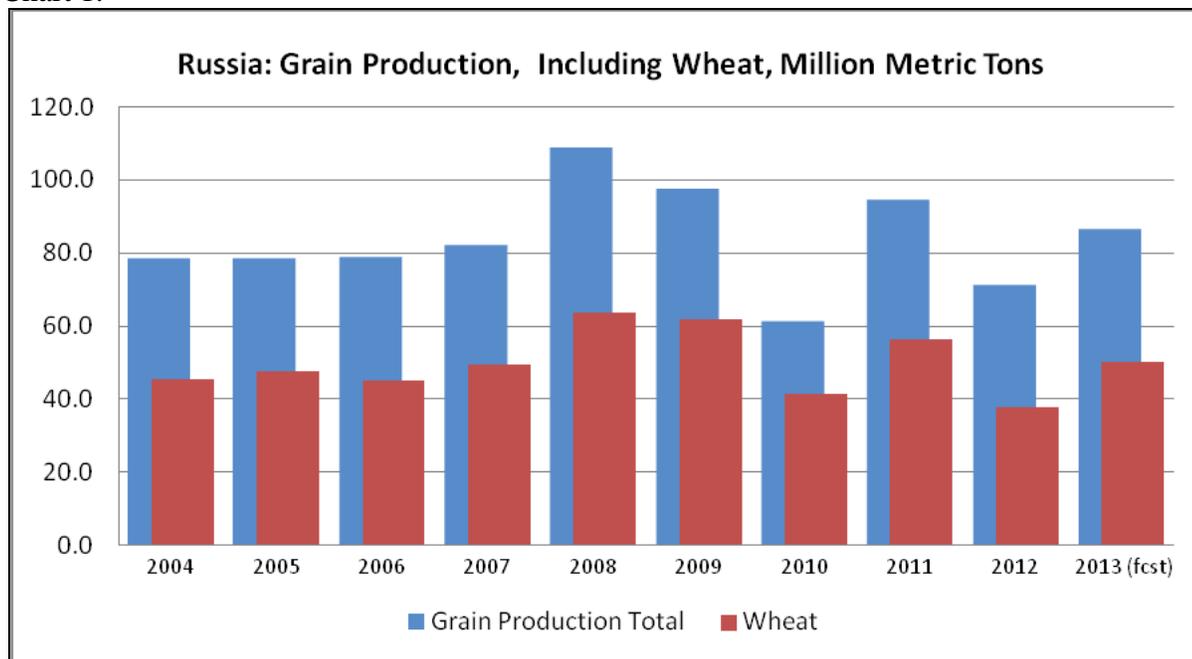
The agricultural machinery’ market, according to the Russian Association of Agricultural Machinery Producers (Rosagromash), increased in 2012 by 14.8 percent in sales volume compared with 2011 and reached 124.8 billion rubles, with 75 percent being imported machines (93.2 billion rubles, up 23 percent year on year) and sales of domestic machines being 25 percent of the total (33.8 billion rubles, down by 6.1 percent year to year). Domestic production of agricultural machines decreased in 2012 by 7.7 percent to 33.6 billion rubles, including production of grain harvesters, which decreased by 34.2 percent, cultivators – by 30.9 percent, seeders – by 17.3 percent. With grain farmers’ incomes increasing in the second half of 2012 as a result of high grain prices, larger farms, and well financed operations have renewed their purchasing of foreign machines, (assembled in Russia), despite increasing prices.

In 2013 the Russian government is subsidizing farmers’ purchases of agricultural machines of domestic origin. The federal budget allocated 2.3 billion rubles (\$74 million) for this support in 2013. However, industry analysts report that this program has not begun to be operational yet.

Summary of 2008-2012 Production Changes

At the end of March 2013, Rosstat updated Russia’s 2012 production data upwards by 0.2 MMT from 70.7 MMT to 70.9 MMT due to revised corn and pulses crop. FAS/Moscow reported on Rosstat preliminary data in [Grain and Feed Update\\_1-24-2013](#), and the major crops data remain unchanged.

Chart 1.



Source: Rosstat

Table 2. Planted Area, Production and Yields per Harvested Area, 2007 – 2012

	2007	2008	2009	2010	2011	2012
<b>Planted Area, 1,000 Hectares</b>						
Wheat, total	24,382	26,633	28,698	26,614	25,552	24,685
- winter	10,597	12,692	13,835	12,699	11,805	11,842
- spring	13,785	13,941	14,863	13,915	13,747	12,843
Barley, total	9,618	9,621	9,135	7,214	7,881	8,820
- winter	537	651	582	461	383	291
- spring	9,081	8,970	8,553	6,753	7,498	8,529
Rye (winter)	2,097	2,162	2,142	1,757	1,547	1,557
Triticale			190	165	226	233
Oats (spring)	3,548	3,561	3,374	2,895	3,046	3,241
Corn for grain	1,509	1,812	1,365	1,416	1,716	2,058
Rice	162	164	183	203	211	201
Millet	506	572	522	521	826	474
Buckwheat	1,301	1,113	932	1,080	907	1,270
Legumes	1,094	1,006	1,010	1,305	1,553	1,844
Other	48	98	2	24	107	56
Total	44,265	46,742	47,553	43,194	43,572	44,439
<b>Production, 1,000 Metric Tons</b>						
Wheat, total	49,390	63,765	61,740	41,508	56,240	37,720
- winter	28,600	42,694	38,952	27,905	34,429	25,527
- spring	20,790	21,071	22,788	13,603	21,811	12,192
Barley, total	15,663	23,148	17,881	8,350	16,938	13,952
- winter	2,031	2,660	2,057	1,667	1,572	790
- spring	13,632	20,488	15,824	6,683	15,366	13,161
Rye (winter)	3,905	4,505	4,329	1,636	2,967	2,131
Triticale			508	246	523	464
Oats (spring)	5,407	5,835	5,401	3,220	5,332	4,027
Corn for grain	3,953	6,682	3,963	3,084	6,962	8,213
Rice	709	738	913	1,061	1,056	1,052
Millet	421	711	265	134	878	334
Buckwheat	1,005	924	564	339	800	797
Legumes	1,301	1,794	1,529	1,371	2,453	2,174
Other	42	77	18	11	64	44

Total	81,796	108,179	97,111	60,960	94,213	70,908
	2007	2008	2009	2010	2011	2012
<b>Yields (metric tons per harvested hectare)</b>						
Wheat, total	2.10	2.45	2.32	1.91	2.26	1.77
- winter	2.81	3.39	2.90	2.49	2.99	2.31
- spring	1.56	1.56	1.72	1.29	1.64	1.19
Barley, total	1.87	2.46	2.31	1.68	2.20	1.82
- winter	3.86	4.12	3.67	3.74	4.16	2.84
- spring	1.74	2.33	2.21	1.48	2.10	1.79
Rye (winter)	1.92	2.11	2.07	1.19	1.95	1.50
Triticale			2.72	1.76	2.35	2.08
Oats (spring)	1.63	1.71	1.79	1.44	1.82	1.41
Corn for grain	2.93	3.87	3.53	3.00	4.34	4.24
Rice	4.51	4.62	5.14	5.28	5.09	5.49
Millet	1.12	1.38	1.00	0.78	1.39	0.99
Buckwheat	0.84	0.92	0.90	0.59	0.95	0.77
Legumes	1.41	1.84	1.65	1.39	1.67	1.29
Other						
Total	1.98	2.38	2.27	1.83	2.24	1.83

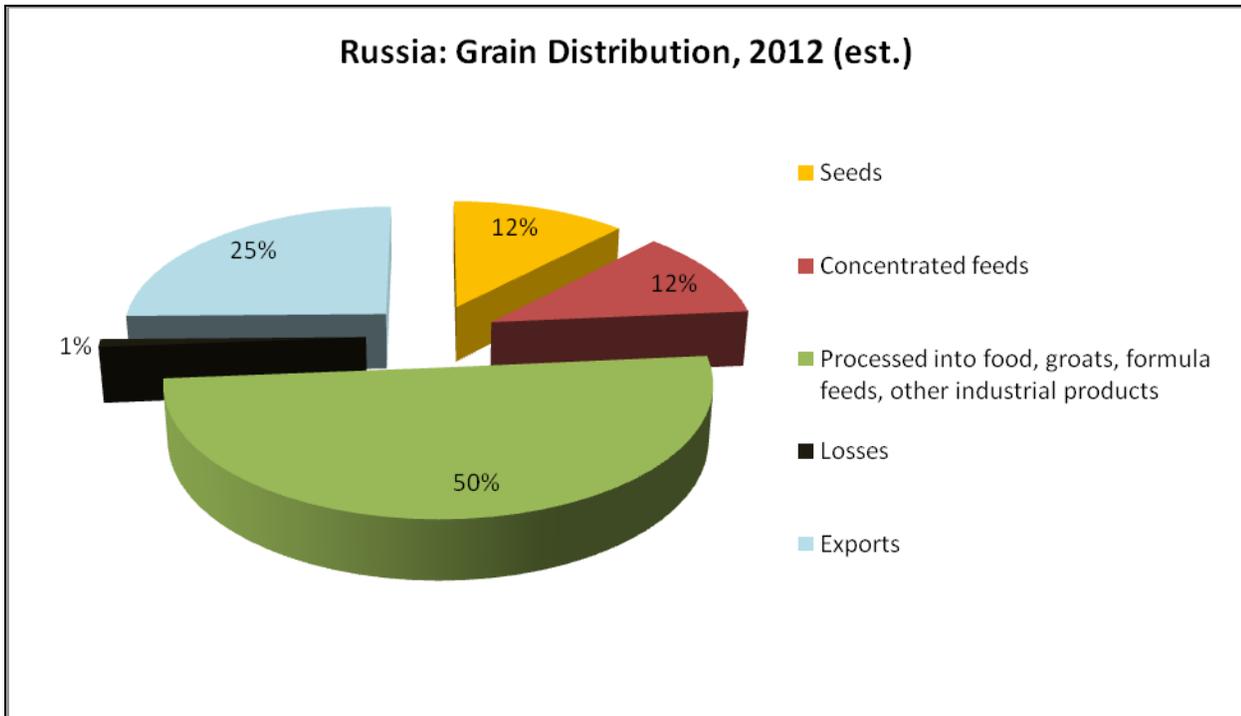
Source: Rosstat final data for 2012 crop

### **Consumption:**

FAS/Moscow forecast Russia's total grain consumption in MY 2013/14 at 66.4 MMT, 4.7 MMT up from the total grain consumption estimate for MY 2012/13.

In 2012, Russian Rosstat began publishing what it calls grain balances. The data are summed for calendar year, and the distribution pattern separates seeds, concentrated feeds, losses, stocks and the summary of all processed grain (food, formula feeds, groats, and other industrial products. According to Rosstat's grain balances, in CY 2012, the total grain supply (so called "resources") was 130.9 MMT. The distribution of these resources was the following: domestic grain consumption was 65.4 MMT (in the last 10 years this figure has fluctuated from a low of 64.4 MMT in 2010 to a high of 72.1 MMT in 2009), losses – 1.0 MMT, and exports - 22.4 MMT. The end of year stocks were estimated at 42.1 MMT. The structure of distribution of grain resources in CY 2012 is in the Chart 2 below.

Chart 2.



Source: Rosstat

#### Food/Seed/Industrial consumption

FAS/Moscow estimates food, seed and industrial consumption in MY 2013/14 is forecast to remain steady at 33 MMT, and this volume has been relatively stable in the last 10 years. Seed consumption (including saved seeds) has stabilized at 7-8 MMT, the rest has been processed into flour, cereals ("groats"), alcohol and other industrial products. Production of flour has been decreasing in recent years, as domestic demand of the bread and baking industry slowed down, and export markets for flour remain limited. The importance of industrial products, such as gluten and syrups has been increasing slowly, although there are no official data on production of these products.

#### Feeds

FAS/Moscow estimates feed consumption in Russia in MY 2013/14 to increase by 4 MMT to 33 MMT as a result of higher production. Feed consumption last year was one of the lowest volumes in the last decade due to the smaller wheat crop.

There are no official data on use of grain in feeds by categories of consumers and by types of grain. Industry analysts estimate that poultry industry consumes 7-8 MMT of grain, mostly in the form of compound feeds, the pig industry consumes 10-12 MMT of grain both in way of concentrated feeds and compound feeds, and the rest is consumed by other livestock industries. Production and use of formula feeds has been increasing in Russia along with increased industrial production of poultry and pigs. By types of grain wheat still dominates in feeds, although increased production of corn in the last two years stimulated increase of use of corn in feeding.

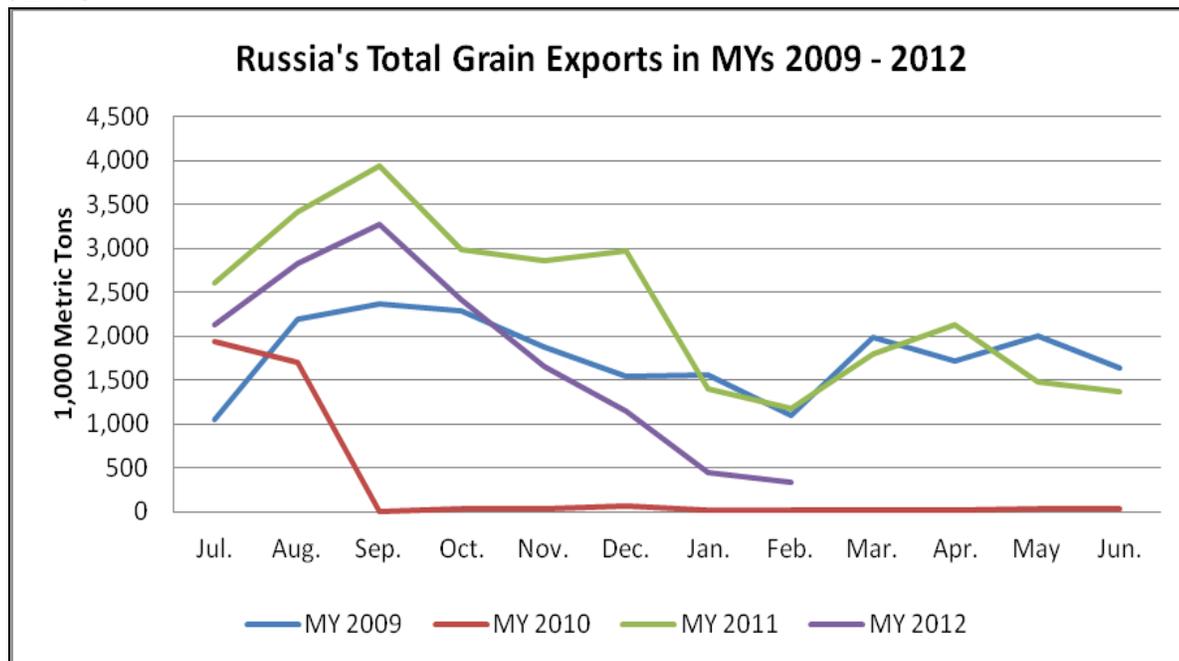
The below average grain crop in 2012 increased feed prices and impacted profitability of poultry and livestock operations. Given increased prices, grain became unaffordable for some feed millers and

livestock and poultry producers. Since many feed mills and livestock and poultry producers receive grain from farms located in their own federal districts, and damage to grain crop varied by districts, discrepancies in the supply of grain for feeds by districts increased. According to the Ministry of Agriculture, all Russian regions, except the Central Federal District, experienced a shortage of fodder grain for concentrated feeds and the lowest share of supply of fodder grain compared with local “needs” was in the Siberian Federal District (only 70 percent). In other federal districts the supply of fodder grain to needs varied from 80 to 90 percent.

**Trade:**

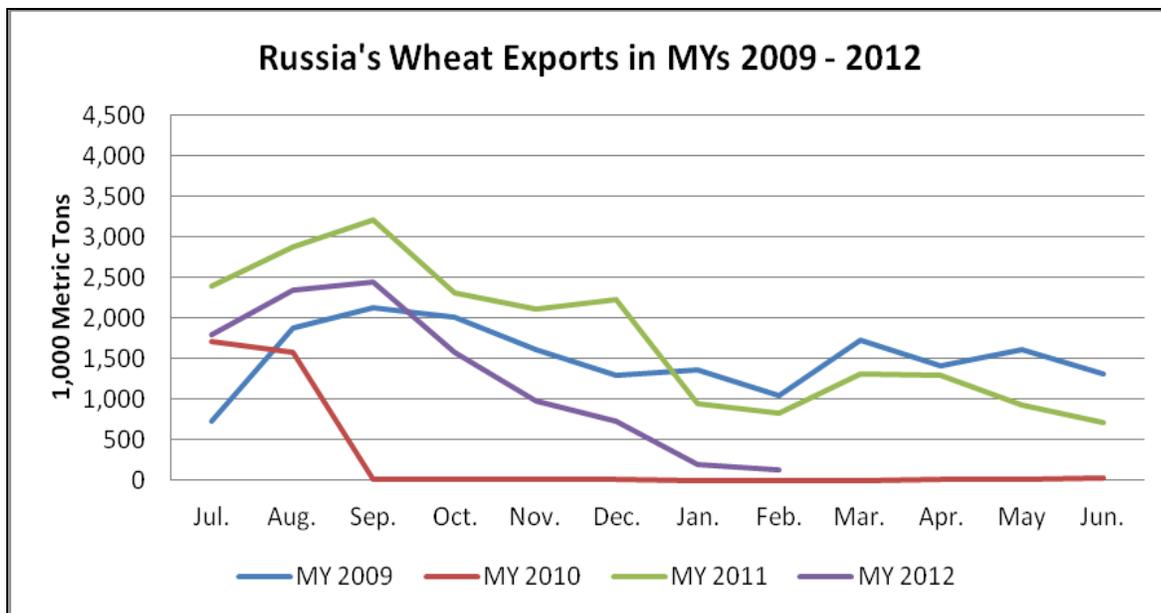
Assuming the average grain crop of 86 MMT, FAS/Moscow forecasts Russia’s grain and pulses exports in MY 2013/14 at 20 MMT, including 15 MMT of wheat and wheat flour, 3 MMT of barley, 1 MMT of corn, and about 1.0 MMT of other grains and pulses. If realized, these total grain exports would be up 30 percent from 2012/13, where exports are estimated at 15.5 MMT, including 10.5 MMT of wheat, 2.3 MMT of barley, 2 MMT of corn, and 0.8 MMT of other grains and pulses. Wheat exports are expected to see the greatest increase in shipments in MY 2013/14. However, as a result of very low wheat carry-in stocks, it is expected that July 2013 exports (July is the first month of marketing year for wheat and barley, Russia’s major grain crops) will be far below the previous 3 years (where exports averaged 2 MMT in July), and exports will only pick up once the new crop begins to be marketed and shipped.

Chart 3



Source: Russian Customs Service

Chart 4



Source: Russian Customs Service

As of end of February, Russian Ministry of Agriculture estimated grain exports in MY 2012/13 at 14.8 MMT, although this estimate does not include pulses. In July 2012 – through February 2013 Russia exported 10,192,000 MT of wheat, 93,000 MT of wheat flour in grain equivalent, 1,940,000 MT of barley, 4,000 MT of malt (in barley equivalent), 1,300,000 MT of corn, 219,000 MT of rice, 127,000 MT of rye, and 369,000 MT of peas.

FAS/Moscow estimates Russia's total imports of grain in MY 2013/14 to fall to a more typical 1.5 MMT, including 0.5 MMT of wheat, mostly from Kazakhstan, 0.5 MMT of barley, mostly malting barley, 0.2 MMT of corn, 0.2 MMT of milled rice, and less than 0.1 MMT of other grains and pulses.

There are no official data on Russia's imports from Kazakhstan because traders do not provide customs declarations when shipping products within the Customs Union (Russia, Kazakhstan and Belarus). However, according to industry analysts, in July 2012 – through December 2013 Kazakhstan shipped 202,000 MT of wheat to Russia by train, and including shipments by trucks to Siberia, the total imports was estimated at 300,000 MT. In the first week of February, Kazakhstan shipped 34,000 MT to Russia by train. Rye and rye flour imports from Belarus to Russia also is not registered in intra-trade between Russia and Belarus.

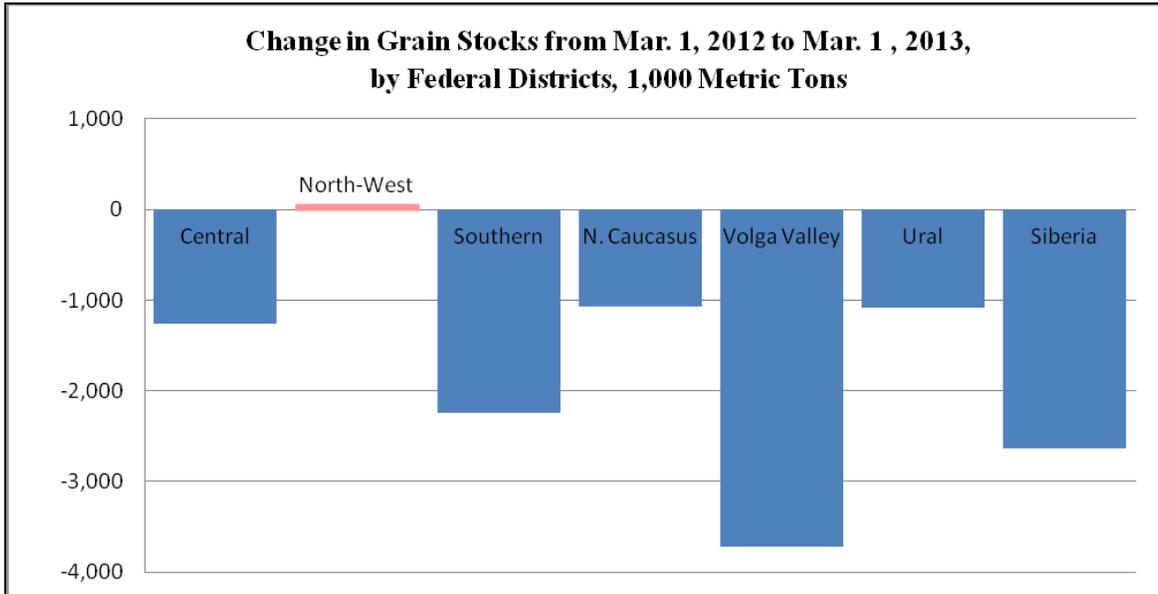
#### Stocks:

FAS/Moscow forecasts Russia's carry-in stocks in the beginning of the 2013/14 marketing year at slightly over 7 MMT, compared with 12.3 MMT in the beginning of 2012/13. Intervention stocks are estimated to be less than 0.5 MMT.

In MY 2012/13, the Russian Statistical Service (Rosstat) began publishing data on Russia's grain stocks on a regular basis, and as of March 1, 2013, Russia's grain stocks were 20.4 MMT, 37 percent less than

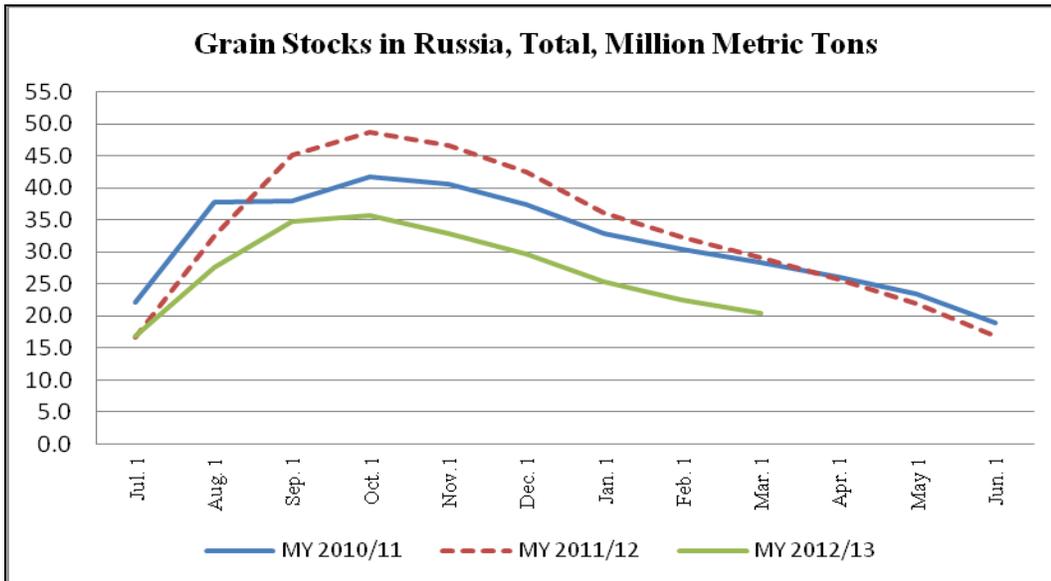
on the same date last year. Stocks were lower in all federal districts except the North-West of European Russia (Chart 5). By March 1, 2013, Russia’s total grain stocks dropped to levels only reached at the end of the 2010/11 and 2011/12 marketing years, despite another 4 months before the new crop hits the market (Chart 6). Stocks in the South of European Russia (where most exportable stocks are held) - by March 1, 2013 are especially depleted, due to strong early season exports (Chart 7)

Chart 5



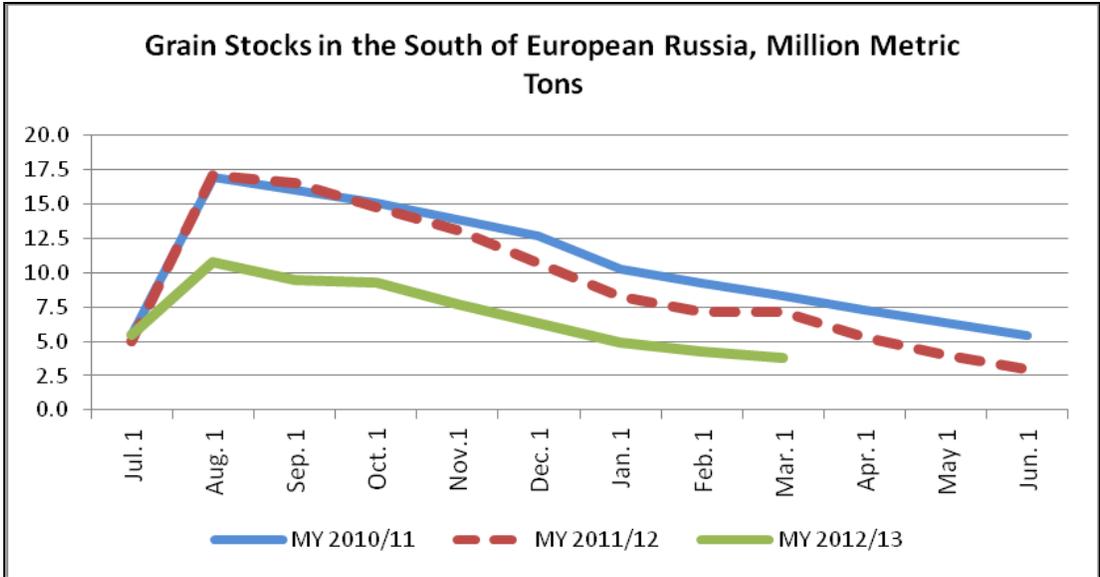
Source: Rosstat

Chart 6



Source: Rosstat

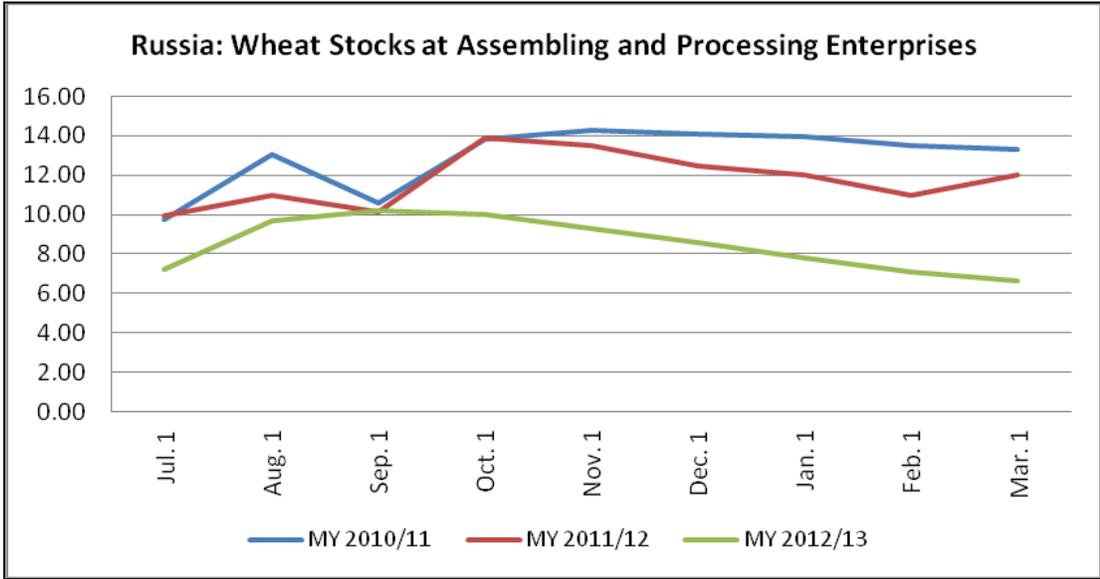
Chart 7



Source: Rosstat

As of March 1, 2013, only 10.3 million metric tons of Russia’s grain stocks (50.5 percent) were on farms (small farms are not included ), and 10.1 MMT (49.5 percent) was kept at assembling and processing enterprises, including elevators, warehouses, storages at flour and feed mills. Some industry analysts consider grain kept at small farms and not counted by Rosstat may add another 2-3 MMT to Russia’s overall stocks. However, by the end of the year Russia’s grain stocks will be the lowest in the last 3 years.

Chart 8



Source: Rosstat

Rosstat does not provide data on farmers’ stocks by types of grain. As of March 1, 2013, assembling and processing enterprises stored 10.13 MMT of grain, including 6.67 MMT of wheat, 1.28 MMT of barley, 1.12 MMT of corn, 0.52 MMT of rye, and 0.54 MMT of other grains and pulses, such as millet,

buckwheat, rice, oats, and peas. Stocks of wheat are the lowest in the last 3 years, and were disappearing in MY 2012/13 faster than in the previous years (Chart 8).

**Policy:**

The government support of farmers has decreased after Russia's August 2012 WTO accession, although this decrease is more due to federal budget constraints, rather than WTO commitments, as the total financing of agriculture in 2013 is less than allowed by WTO commitments for its amber box support. Direct producer support has decreased the most dramatically, although government officials have justified this change by stating that with higher grain prices, crop producers should be able to increase their own financing of production without government support.

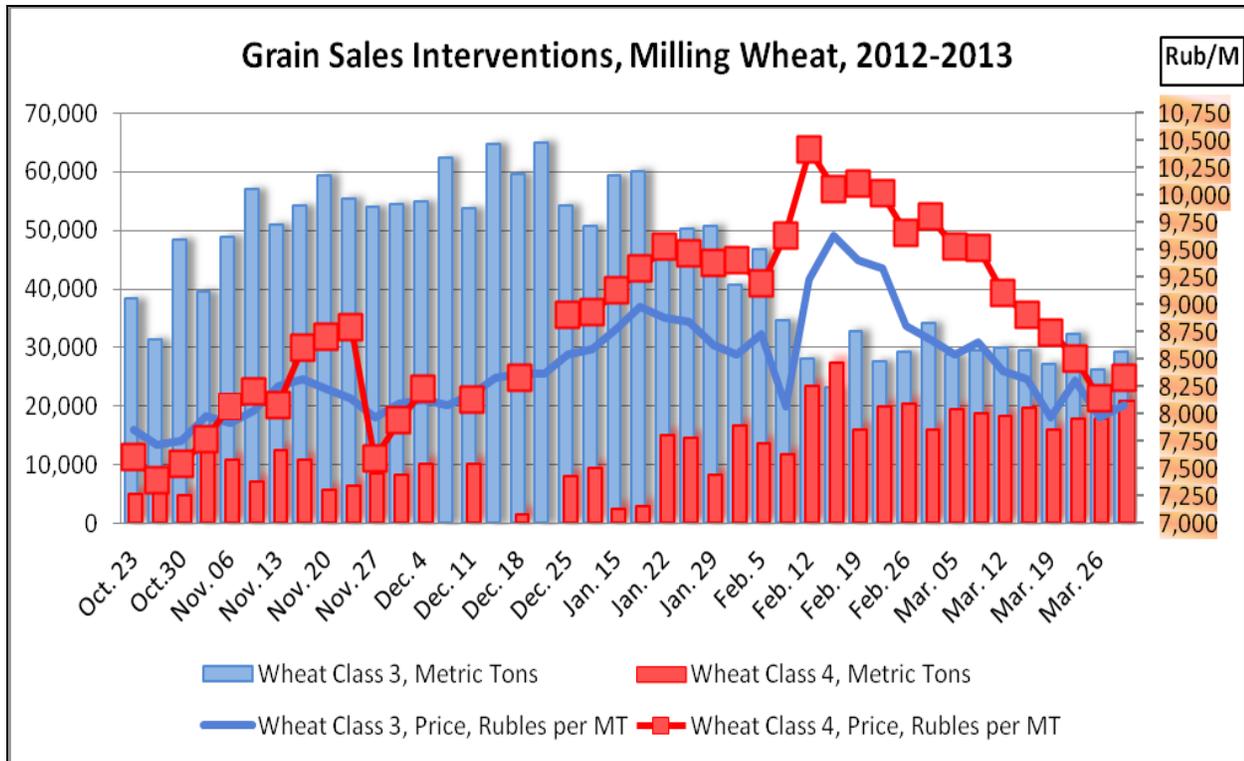
The Ministry of Agriculture plans to begin procurement interventions in August – September, and at the end of March determined the prices for beginning of procurement interventions. The Government stated its intention to begin buying grain from farmers when/if the market prices of milling wheat Class 3 falls to 6,550 rubles (\$212), wheat Class 4 fell to 6,300 rubles (\$203), and the market price of feed wheat Class 5 to 5,950 rubles (\$192) per MT in the Central, North-Western, Volga Valley, North Caucasus and Southern federal districts. For the Urals, Siberia and the Far East the procurement interventions will begin when market prices fall below 6,250 rubles (\$202), 6,050 rubles (\$195) and 5,700 rubles (\$184) per MT, respectively. The minimum price for food rye is set at 4,950 rubles (\$160), for fodder barley – at 5,050 rubles (\$163), and for corn, Class 3 – 5,600 rubles ((\$181) per MT for all federal districts.

Industry analysts note that these announced minimum prices are considerably below recent prices, and may not cover the cost of production for small farmers. As a result these recent price announcements are unlikely to significantly influence farmer planting decisions.

In order to keep domestic grain prices from rising and in order to support domestic flour and feed millers, the government began selling grain from the State Intervention Fund on October 23, 2012, with sales of milling quality wheat from Siberian elevators to local flour and feed millers, but by mid March 2013 the list of grains, location of elevators and list of buyers expanded, and as of now the intervention grain is sold from almost all elevators to millers and even livestock producers. As of March 27<sup>th</sup>, 2013, the government had sold over 2,546,005 metric tons of grain for over 21,541 million rubles (\$695 million). This includes 1,851,260 MT of Class 3 wheat (milling quality), 495,946 MT of Class 4 wheat (milling quality), 64,448 MT of Class 5 wheat (feed quality), 53,543 MT of food quality rye, and 80,808 MT of feed quality barley. Feed quality wheat, rye and barley were allowed for sale only since February 6, 2013.

The decision to begin sales of all types of grain in all parts of the country, along with slowed exports changed the price trends, and both the intervention and the market prices of wheat, and other grains began decreasing (Charts (9, 10 and 11).

Chart 9

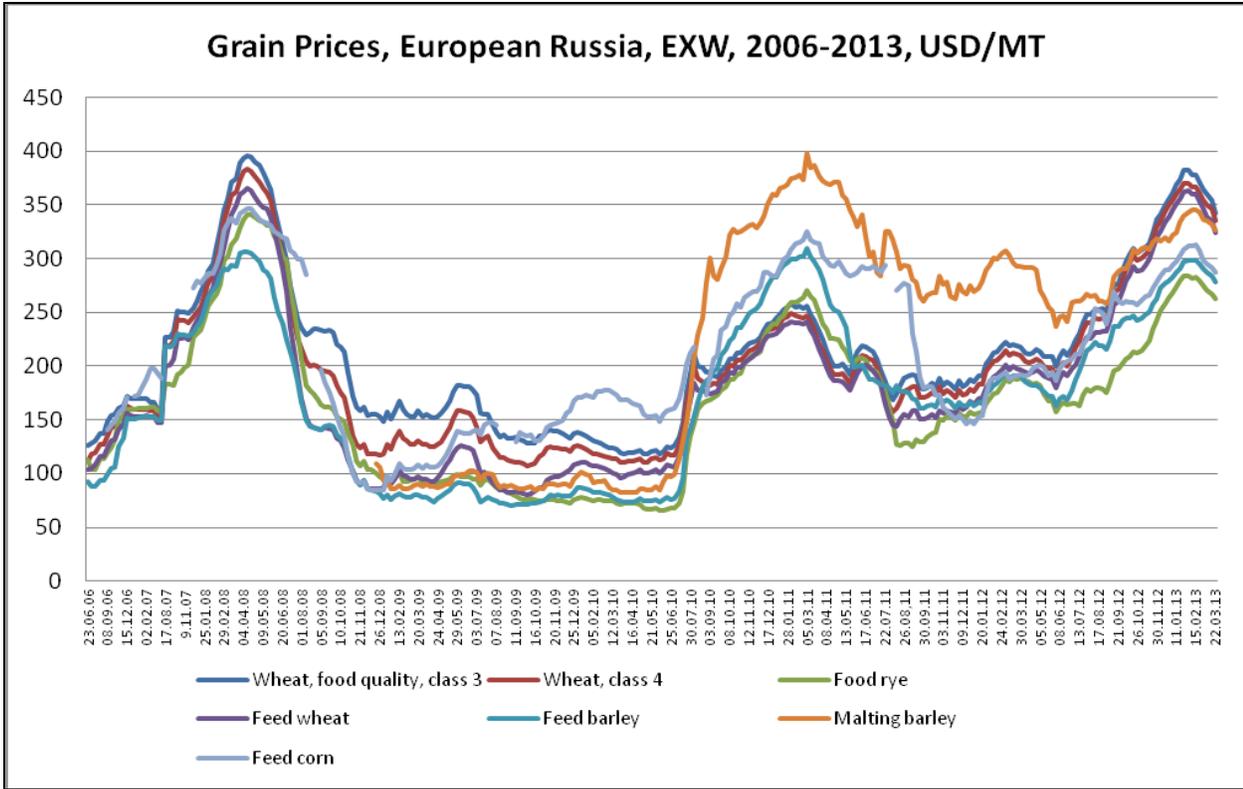


**Marketing:**

After the long period of climbing prices in February 2013, grain prices have begun decreasing. Despite this decrease and the practical discontinuation of exports, sales of grain in the open market were limited. According to Rosstat, sales of grain from agricultural enterprises decreased in January 2013 to 1.2 MMT compared to 5.0 MMT in December, 4.0 MT in November, and 5.3 MMT in October 2012.

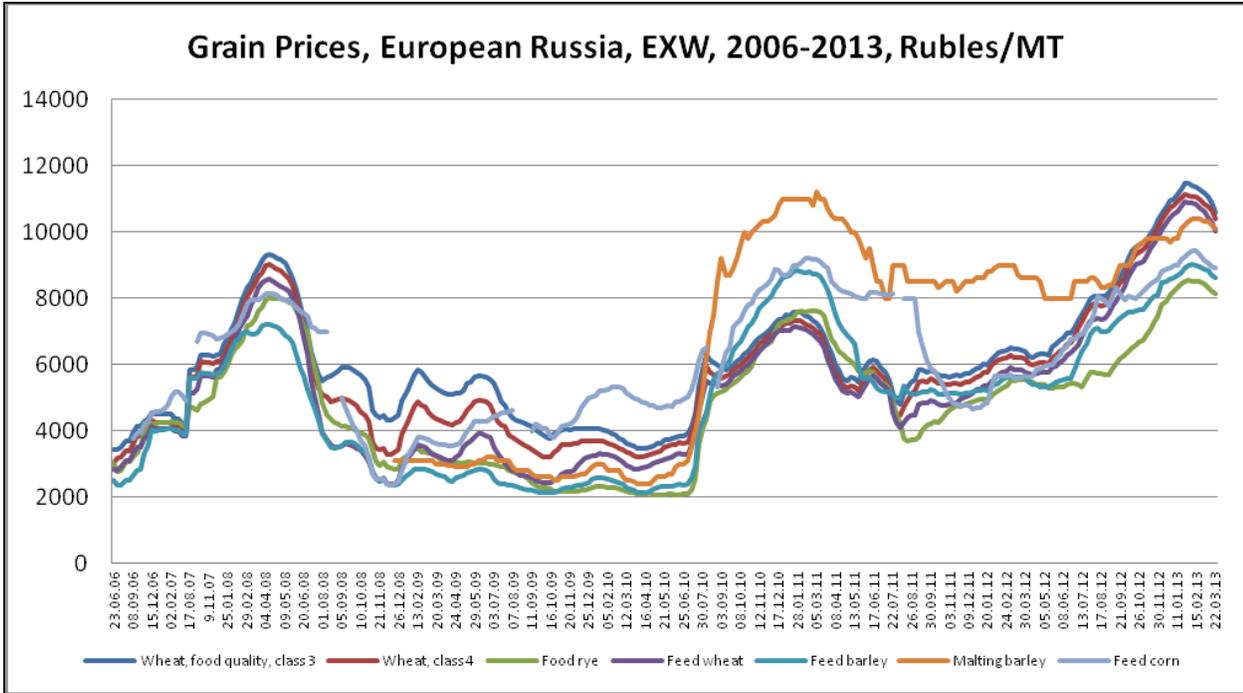
Grain prices reached their peak by the end of January. The EX-Warehouse price of milling wheat Class 3 in European Russia increased to 11,480 Rubles (\$382.1) per MT, and the price of milling quality wheat Class 4 increased to 11,115 rubles (\$369.9) per MT, price of feed quality wheat, Class 5 jumped to 10,890 rubles (\$362.9) per MT. By the end of March these prices decreased to 10,590 rubles (\$342.4), 10,380 rubles (\$335.6), and 10,030 rubles (\$324.3) per MT.

Chart 10



Source: ProZerno

Chart 11.



Source: ProZerno

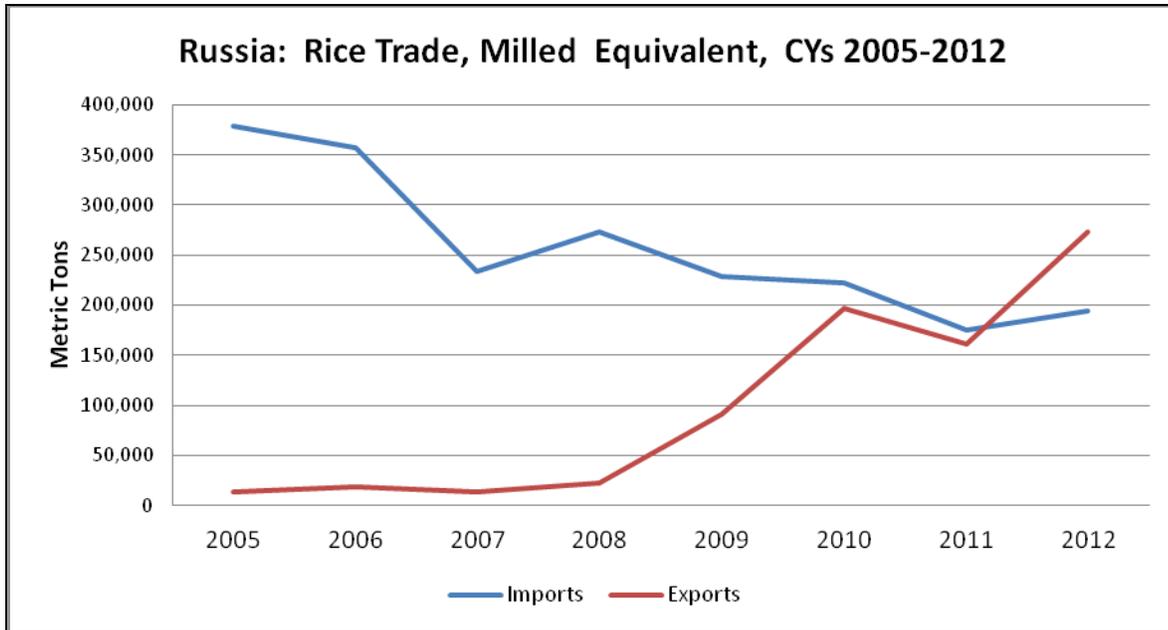
## Special Section on Rice

Rice is a major grain for use in cereals (“groats”) for food consumption, and comprises 29.1 percent of the Russian groats market, with buckwheat’s share at 28.7 percent. Industry analysts estimate Russia’s rice domestic consumption at 697,300 MT, equivalent of 35.4 billion rubles (\$1.16 billion) in CY 2012. The domestic consumption of milled rice has remained at 700,000 MT in the last 15 years, but the supply has changed.

Russian companies started investing in rough rice production and milling in the South of European Russia in 2006. Since then, area sown to rice increased by 23 percent to 201,000 hectares in 2012 and since 2006 rough rice production has increased by 54 percent to 1.052 MMT or an equivalent of 684,000 MT of milled rice. The significant stimulant to such growth were high import duties on milled rice and strengthened SPS requirements, which curbed rice imports by about half in the past 6 years.

However, in accordance with WTO commitments, Russia is decreasing rice import duties from 120 Euro per MT to 30 Euro per MT. Industry analysts indicate that price competition in the Russian rice market will intensify, and imports may increase, thereby pushing domestic rice prices down. Import supplies have shifted, with India being the largest supplier in 2012. However, in 2013 imports from India may decrease, since at the end of 2012 Russian phytosanitary authority (Russian Federal Service for Veterinary and Phytosanitary Surveillance - VPS) found the quarantine pest (*Tragoderma granarium*) in India’s rice and threatened to stop its imports (<http://www.fsvps.ru/fsvps/news/5684.html>). On February 19, 2013, temporary restrictions on imports of rice and peanuts from India to Russia came into force. Russia’s rice imports are milled rice, while exports are primarily rough rice.

Russia’s rice exports have been increasing since 2009, and in 2012 Russia became a net exporter, with exports reaching a record 333,000 metric tons, including 171,000 metric tons of rough rice (an equivalent of 111,000 metric tons of milled rice), and 162,000 metric tons of milled rice. These exports went to over 30 countries led by Libya (29.5 percent), Turkey (25 percent), Turkmenistan (12 percent), and Tajikistan (9.5 percent). The total volumes of rice exported to the three Asian, former CIS, countries (Tajikistan, Turkmenistan, Kyrgyzstan) increased from 12,755 MT in 2011 to 83,964 MT in 2012 (6.6 times), in value terms – from \$8,207,445 to \$49,912,051 (6.1 times). Russia imports primarily milled rice, and imports were decreasing. In CY 2012 Russia exported 79,000 metric tons of rice more than imported (exports and imports is calculated in milled equivalent).



Source: State Customs Service

**Production, Supply and Demand Data Statistics:**

**Wheat**

Wheat Russia	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Jul 2011		Market Year Begin: Jul 2012		Market Year Begin: Jul 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	24,814	24,885	21,300	21,310		24,000
Beginning Stocks	13,736	13,271	10,899	10,434		5,654
Production	56,240	56,240	37,717	37,720		50,000
MY Imports	550	550	1,500	1,000		500
TY Imports	550	550	1,500	1,000		500
TY Imp. from U.S.	0	0	0	0		0
Total Supply	70,526	70,061	50,116	49,154		56,154
MY Exports	21,627	21,627	10,500	10,500		15,000
TY Exports	21,627	21,627	10,500	10,500		15,000
Feed and Residual	15,500	15,500	12,000	11,500		13,000
FSI Consumption	22,500	22,500	22,000	21,500		22,000
Total Consumption	38,000	38,000	34,000	33,000		35,000
Ending Stocks	10,899	10,434	5,616	5,654		6,154
Total Distribution	70,526	70,061	50,116	49,154		56,154

1000 HA, 1000 MT, MT/HA

**Barley**

Barley Russia	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Jul 2011		Market Year Begin: Jul 2012		Market Year Begin: Jul 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	7,695	7,695	7,660	7,760		7,600
Beginning Stocks	1,386	1,380	848	842		682
Production	16,938	16,938	13,950	13,940		16,000
MY Imports	368	368	500	500		500
TY Imports	372	372	500	500		500
TY Imp. from U.S.	0	0	0	0		0
Total Supply	18,692	18,686	15,298	15,282		17,182
MY Exports	3,544	3,544	2,300	2,300		3,000
TY Exports	3,668	3,668	2,300	2,300		3,000
Feed and Residual	9,800	9,800	7,900	7,900		9,000
FSI Consumption	4,500	4,500	4,400	4,400		4,400
Total Consumption	14,300	14,300	12,300	12,300		13,400
Ending Stocks	848	842	698	682		782
Total Distribution	18,692	18,686	15,298	15,282		17,182

1000 HA, 1000 MT, MT/HA

## Corn

Corn 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
Area Harvested	1,604	1,550	1,900	1,900		1,750
Beginning Stocks	72	94	457	297		192
Production	6,962	6,680	7,994	7,995		7,000
MY Imports	50	50	200	200		200
TY Imports	50	50	200	200		200
TY Imp. from U.S.	0	0	0	0		0
Total Supply	7,084	6,824	8,651	8,492		7,392
MY Exports	2,027	2,027	2,300	2,000		1,000
TY Exports	2,027	2,027	2,300	2,000		1,000
Feed and Residual	3,900	3,800	5,400	5,500		5,500
FSI Consumption	700	700	800	800		700
Total Consumption	4,600	4,500	6,200	6,300		6,200
Ending Stocks	457	297	151	192		192
Total Distribution	7,084	6,824	8,651	8,492		7,392

1000 HA, 1000 MT, MT/HA

## Rice, Milled

Rice, Milled Russia	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Jan 2012		Market Year Begin: Jan 2013		Market Year Begin: Jan 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	207	207	192	185		210
Beginning Stocks	89	89	23	25		19
Milled Production	686	686	683	684		710
Rough Production	1,055	1,055	1,051	1,052		1,092
Milling Rate (.9999)	6,500	6,500	6,500	6,500		6,500
MY Imports	190	194	220	200		220
TY Imports	190	194	220	200		220
TY Imp. from U.S.	0	0	0	20		20
Total Supply	965	969	926	909		949
MY Exports	282	274	160	210		230
TY Exports	282	274	160	210		230
Consumption and Residual	660	670	700	680		700
Ending Stocks	23	25	66	19		19
Total Distribution	965	969	926	909		949

1000 HA, 1000 MT, MT/HA

**Note to PSD for Rice:** Russia exports most of rice in rough form. Since the PSD format does not show exports of rough rice; rice exports in the PSD includes exports of milled rice and exports of rough rice adjusted to milled equivalent.

## Rye

Rye Russia	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Jul 2011		Market Year Begin: Jul 2012		Market Year Begin: Jul 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	1,522	1,520	1,420	1,450		1,500
Beginning Stocks	250	282	129	163		138
Production	2,967	2,967	2,133	2,150		3,000
MY Imports	0	0	0	0		0
TY Imports	0	0	0	0		0
TY Imp. from U.S.	0	0	0	0		0
Total Supply	3,217	3,249	2,262	2,313		3,138
MY Exports	238	236	125	125		100
TY Exports	284	284	75	75		100
Feed and Residual	200	200	100	100		200
FSI Consumption	2,650	2,650	1,900	1,950		2,600
Total Consumption	2,850	2,850	2,000	2,050		2,800
Ending Stocks	129	163	137	138		238
Total Distribution	3,217	3,249	2,262	2,313		3,138

1000 HA, 1000 MT, MT/HA

## Oats

Oats Russia	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Jul 2011		Market Year Begin: Jul 2012		Market Year Begin: Jul 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	2,930	2,930	2,850	2,850		2,800
Beginning Stocks	167	194	485	514		239
Production	5,332	5,334	4,027	4,030		4,500
MY Imports	0	0	0	0		0
TY Imports	0	0	0	5		0
TY Imp. from U.S.	0	0	0	0		0
Total Supply	5,499	5,528	4,512	4,544		4,739
MY Exports	14	14	10	5		0
TY Exports	17	15	10	5		0
Feed and Residual	3,500	3,500	2,900	2,900		3,000
FSI Consumption	1,500	1,500	1,400	1,400		1,500
Total Consumption	5,000	5,000	4,300	4,300		4,500
Ending Stocks	485	514	202	239		239
Total Distribution	5,499	5,528	4,512	4,544		4,739
1000 HA, 1000 MT, MT/HA						

## Millet

Millet Russia	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Jul 2011		Market Year Begin: Jul 2012		Market Year Begin: Jul 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	632	630	335	335		400
Beginning Stocks	0	0	0	0		0
Production	878	878	336	335		500
MY Imports	0	0	0	0		0
TY Imports	0	0	0	0		0
TY Imp. from U.S.	0	0	0	0		0
Total Supply	878	878	336	335		500
MY Exports	0	0	0	0		0
TY Exports	0	0	0	0		0
Feed and Residual	578	578	100	100		200
FSI Consumption	300	300	236	235		300
Total Consumption	878	878	336	335		500
Ending Stocks	0	0	0	0		0
Total Distribution	878	878	336	335		500
1000 HA, 1000 MT, MT/HA						