

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Report Highlights:

The Moscow Office of Agricultural Affairs (MOAA) increased Russia's total grain crop forecast by 0.6 million metric tons (MMT) to 93.6 MMT. Grain exports forecast increased by 0.9 MMT to 19.9 MMT due to decreasing domestic prices. The government might purchase up to 2.5 MMT of grain in the intervention fund, but unlike last year, these interventions will not support domestic prices.

General Information:

Production

Crop Forecast

The Moscow Office of Agricultural Affairs (MOAA) increased the Russian grain crop forecast by 0.6 million metric tons (MMT) to 93.6 MMT. The increase is based on the end-November Siberian harvest reports. Wheat production forecast increased by 0.5 MMT to 59.0 MMT. Barley and corn production forecasts remain 17.7 MMT and 4.4 MMT respectively. On November 26, 2009, Russian Agricultural Minister Yelena Skrynnik reported to Prime Minister Vladimir Putin that Russia produced 93 MMT of grain. Meantime, some experts consider that grain crop exceeded 95 MMT due to Siberian grain. Experts estimate grain crop in Siberia at 18.0-18.5 MMT, or 4.5 MMT more than last year. Russian Deputy Prime Minister Viktor Zubkov, who covers agricultural issues, estimated Russia's grain crop at 96-97 MMT. The Russian State Statistical Service (Rosstat) will publish the official grain production data in February 2010. The good grain crop in Siberia is attributed to favorable weather and a high level of local government support of grain farming in 2008-2009, such as subsidized supply of fertilizer, seeds, agricultural machines to farmers, administration guarantees on commercial loans to farmers.

Grain Harvest Progress

The Russian Ministry of Agriculture issued its latest update on the harvest progress on November 11, 2009. Minister Yelena Skrynnik reported to the Prime Minister that the harvest was completed by November 10, 2009. By this time Russian farmers harvested 101.4 MMT in bunker weight (approximately 93-95 MMT in clean weight^[i]). This is 12.5 MMT less than on the same date last year. The average yield is 2.38 metric tons per hectare (MT/HA), or 0.14 MT/HA less than last year. Wheat production is 63.4 MMT, barley – 18.7 MMT, 4 percent and 20 percent less, respectively, than on the same data last year. MinAg does not specify harvest of other grain crops, except rice. Minister Yelena Skrynnik reported to the Prime Minister on increase of rice production as a special success of Russian grain farming, and success of the national import tariff strategy^[ii]. As of November 11, 2009, Russia harvested 978,000 MT of rough rice from 170,000 hectares (94 percent of the planned area). This will be the largest rice crop in the last 20 years. Rice crop in Krasnodar kray may reach 800,000 MT (rough). Southern Russia's provinces and Primorskiy kray also increased rice production. Provincial administration plans to support rice production by investment in repair of irrigation systems, and extension of new technologies. It plans to increase rice area by 20 percent next year. The traditional Russian varieties – Dal'nevostochnyi, Novosel'skiy, Sadko are in the highest demand.

Table 1. Harvested Area and Grain Production by Federal Districts, November 11, 2009.

	Harvested Area, 1,000 HA	Crop, 1,000 MT
Russia, total	42,564.5	101,415.8
Central Federal District	7,454.4	22,496.2
North-Western Federal District	292.0	681.6
Southern Federal District	9,396.6	28,792.5
Volga Valley Federal District	11,135.2	22,858.0
Ural Federal District	3,527.2	5,734.0
Siberian Federal District	10,373.4	20,221.7
Far Eastern Federal District	385.8	637.8

Source: Russian Ministry of Agriculture

Winter Grain Sowing

By November 11, 2009, winter crops have been sown on 17.8 million hectares or 762,000 hectares more than in the fall 2008. Area prepared for the spring sowing was 23.3 million hectares, 0.7 million hectares more than in 2008. In some winter grain provinces of European Russia weather was dry in August – October, and soil moisture was very low. Therefore winter grain emergence was poor. November rainfalls improved soil conditions in many provinces of European Russia. Still farmers in Volgograd and some other oblasts complain that they will need to re-sow most of winter crop fields in spring. Winter grains emergence was better where grain was sown on the fallow fields. Minimum and no-till practices also helped keeping moisture. However, farmers still do not use crop-rotation and minimum till practices widely. Somewhere farmers have already re-cultivated their fields for sowing sunflowerseeds in spring. According to the Ministry of Agriculture, farmers increased fertilizer stocks in 2009 by 270,400 metric tons (active ingredient) to 2,370,800 MT. Meantime, some provinces report that due to farmers' financial constraints application of fertilizer for winter grains decreased. However, due to winter grain losses caused by low moisture, farmers who did not apply fertilizer might be in better financial situation than those who applied fertilizer.

Trade

According to Minister Yelena Skrynnik, in marketing year 2009, Russia may export 20.0 MMT of grain. Experts estimate Russia's grain exports at 19.5 – 21.5 MMT. MOAA estimate Russia's total grain exports in MY 2009 at 19.9 MMT, including 17.5 MMT of wheat, 2.2 MMT of barley, and approximately 200,000 MT of other grains, specifically corn, rye and rice. From July through October Russia exported 8.2 MMT of grain, 0.8 MMT less than in July – October 2008. However, according to the analytical service Rusagrotrance, exports in November might exceed 2.1 MMT,

and the July – November exports will approach exports in July – November 2008 (10.4 MMT). In July – October 2009, Russia exported 7.0 MMT of wheat, including 130,000 MT of wheat flour in grain equivalent, and 1.2 MMT of barley. In October, Russian traders also exported 25,000 MT of corn, but the total corn exports in MY 2009 will hardly exceed 100,000 MT due to low corn crop in Russia. MOAA estimate Russia's grain imports at 720,000 MT, including 200,000 MT of wheat, 100,000 MT of barley, 250,000 MT of corn, and 165,000 – 170,000 MT of rice^[iii]. If the Custom Union Russia-Kazakhstan-Belarus starts working on January 1, 2010, imports of Kazakhi's wheat to Russia might increase.

Stocks

The Agricultural Deputy Minister Sergey Korolyev estimated Russia's carry-over stocks of grain by the end of MY 2009, at 21 MMT. Experts estimate Russia's grain stocks by the end of marketing year at 19.5 – 20.5 MMT, including 9.0 – 10.0 MMT of grain in intervention stocks. The current stocks of intervention grain are estimated at 8.0 MMT. The new interventions may add another 2.0 – 2.5 MMT to these stocks. Some grain might be sold, but experts do not envisage significant sales from the intervention stocks in MY 2009.

The Russian Ministry of Agriculture envisages stabilization of Russia's grain production in the near future at 90-100 MMT a year, while domestic consumption will not exceed 77 MMT. The Ministry of Agriculture considers grain exports the safest way to ease the pressure in the grain market. Minister Yelena Skrynnik considers that in 10-15 years Russia might increase grain exports to 40 MMT a year if Russia improves its grain exports logistics. Russian grain export lobby estimated that construction of assembling elevators and export terminals might require 9-10 billion rouble's (\$300 million-\$333 million)^[iv] support from the federal budget in the near future.

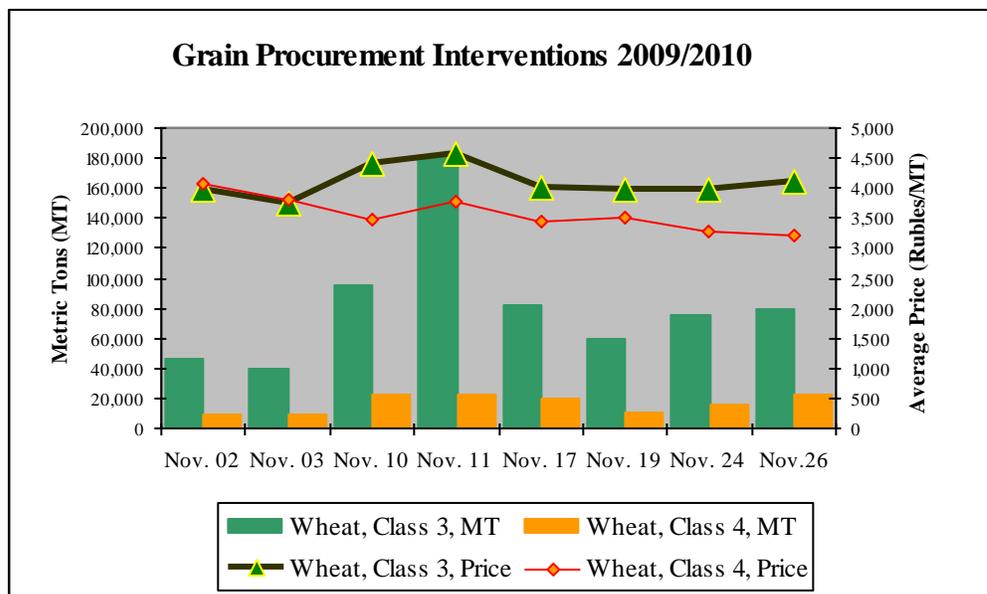
Policy

Grain Procurement Interventions

As of November 26, 2009, the Government purchased 803,790 MT of grain into the intervention fund and spent 3.27 billion rubles (\$109 million), or over one third of the intervention money. The intervention purchases comprised of 658,260 MT of milling wheat Class 3, 134,730 MT of milling wheat Class 4, and 10,800 MT of food rye. On November 26, milling wheat, Class 3, was sold at an average price of 4,116 Rubles (\$137.2) per metric ton. In European Russia the average market price (EXW) of this wheat was 4,000 Rubles/MT. The average intervention price of milling wheat, Class 4, was 3,197 Rubles (\$106.6) per metric ton, compared with 3,580 Rubles per MT, EXW, in

the European Russia. Transportation of grain to the intervention storage decreases price that farmers receive from interventions by another 100-200 rubles per MT. Thus, intervention prices are close or lower than the market prices. According to the Russian Grain Union, the average cost of production of 1 metric tons of milling wheat in Russia is 3,450 rubles (\$115) per MT, and neither intervention, nor market prices compensate farmers' average expenses for production of grain. However, the cost of grain production varies significantly by territories, and by farms. In MY 2009, farmers' debts might influence cost of grain production on the farm more than in the previous years. According to experts, cost of production of 1 MT of grain varies from slightly over 2,000 rubles per 1 MT at farms which started investing in development of grain production 5 and more years ago and paid off most of loans for agricultural machines, storage and grain handling facilities, to 5,000 rubles at the farms, which started farm improvement in 2008-2009 at the expense of borrowed money.

Graph 1.



Source: web-site www.micex.ru

United Grain Company

The concept and the strategy of the United Grain Company (UGC) will be considered by the Russian Government in December 2009. At present the UGC works as an agent for the grain procurement interventions and its budget for these purposes is 9.5 billion rubles (\$317 million). If the UGC begin working as a state grain exporter, as envisaged by many experts, its intervention activities (support of domestic grain market) will conflict its export promotion activities. Mr.

Levin, the General Director of the UGC declared that UGC is ready to export grain from the intervention fund. However, experts and private traders are very skeptical about UGC export ambitions. They consider that the UGC does not have experience in grain trade, and “there is no place for the company in the foreign market until it learns how to work in the domestic one”. Moreover, the price of grain stored in the intervention fund exceeds market price, and the federal budget should cover the difference in order to make this grain competitive in the market. Unless the federal budget 2010 allocate significant funds for the UGC exports activities, this company will hardly export more than 1.0 MMT of grain in MY 2009.

Railway tariffs

In 2010, the Federal Tariff Service of the Russian Federation plans to extend the preferential 0.5 coefficient to railway tariffs for shipping grain from the Siberian and the Far-Eastern federal districts for distances over 1,100 kilometers. The volumes of grain shipments from the Siberian Federal district might amount to 8.0 MMT (in 2009 grain production is estimated at 20 MMT clean weight, and district’s consumption is 12.0 MMT), and these volumes will compensate the Russian Railways their potential losses from decreased tariffs. According to the Russian MinAg, the cost of grain transportation from Siberia to the European Russia is 1,800 – 2,100 rubles per MT (\$60 - \$70).

^[i] Clean weight is 5-8 percent less than bunker weight. The difference between the bunker weight and the clean weight vary from year to year and depends on moisture, presence of foreign materials, after harvest losses on farms, etc.

^[ii] GAIN report RS9070 _ Grain and Feed _ Rice Import Duty Increased

^[iii] SovEcon is the source of July – October trade data

^[iv] Exchange rate is 30 rubles per \$1

Production, Supply and Demand Data Statistics :

Note: in all PSD tables area is in 1,000 hectares and grain volumes are in 1,000 metric tons

Wheat

Wheat Russia	2007			2008			2009		
	2007/2008			2008/2009			2009/2010		
	Market Year Begin: Jul 2007			Market Year Begin: Jul 2008			Market Year Begin: Jul 2009		
	USDA Official Data		Old Post	USDA Official Data		Old Post	USDA Official Data		Dec
			Data			Data			Data
Area Harvested	24,400	24,500	24,500	26,650	26,000	26,000	28,750	27,000	27,000
Beginning Stocks	2,231	2,380	2,380	1,819	1,819	1,819	8,429	8,429	8,429
Production	49,400	49,400	49,400	63,700	63,745	63,745	59,500	58,500	59,000
MY Imports	440	440	440	203	135	135	200	200	200
TY Imports	440	440	440	203	135	135	200	200	200
TY Imp. from U.S.	0	0	0	0	0	0	0	0	0
Total Supply	52,071	52,220	52,220	65,722	65,699	65,699	68,129	67,129	67,629
MY Exports	12,552	12,552	12,552	18,393	18,330	18,330	18,000	16,800	17,500
TY Exports	12,552	12,552	12,552	18,393	18,330	18,330	18,000	16,800	17,500
Feed Consumption	15,050	15,150	15,150	16,200	16,240	16,240	18,000	18,000	18,000
FSI Consumption	22,650	22,699	22,699	22,700	22,700	22,700	22,700	22,700	22,700
Total Consumption	37,700	37,849	37,849	38,900	38,940	38,940	40,700	40,700	40,700
Ending Stocks	1,819	1,819	1,819	8,429	8,429	8,429	9,429	9,629	9,429
Total Distribution	52,071	52,220	52,220	65,722	65,699	65,699	68,129	67,129	67,629
Yield	2.	2.	2.02	2.	2.	2.45	2.	2.	2.19

Barley

Barley Russia	2007			2008			2009		
	2007/2008			2008/2009			2009/2010		
	Market Year Begin: Jul 2007			Market Year Begin: Jul 2008			Market Year Begin: Jul 2009		
	USDA Official Data		Old Post	USDA Official Data		Old Post	USDA Official Data		Dec
			Data			Data			Data
Area Harvested	9,600	8,360	8,360	9,600	9,400	9,400	9,100	9,000	9,000
Beginning Stocks	1,307	1,226	1,226	1,037	1,037	1,037	3,693	3,693	3,693
Production	15,650	15,665	15,665	23,100	23,135	23,135	18,000	17,700	17,700
MY Imports	176	175	175	100	65	65	100	100	100
TY Imports	158	175	175	100	65	65	100	100	100
TY Imp. from U.S.	0	0	0	0	0	0	0	0	0
Total Supply	17,133	17,066	17,066	24,237	24,237	24,237	21,793	21,493	21,493
MY Exports	1,046	1,046	1,046	3,444	3,444	3,444	2,200	2,000	2,200
TY Exports	1,277	1,277	1,277	3,700	445	3,700	2,200	2,000	2,200
Feed Consumption	10,450	10,450	10,450	12,300	12,300	12,300	12,400	12,600	12,400
FSI Consumption	4,600	4,533	4,533	4,800	4,800	4,800	4,700	4,700	4,700
Total Consumption	15,050	14,983	14,983	17,100	17,100	17,100	17,100	17,300	17,100
Ending Stocks	1,037	1,037	1,037	3,693	3,693	3,693	2,493	2,193	2,193
Total Distribution	17,133	17,066	17,066	24,237	24,237	24,237	21,793	21,493	21,493
Yield	2.	2.	1.87	2.	2.	2.46	2.	2.	1.97

Corn

Corn Russia	2007			2008			2009		
	2007/2008			2008/2009			2009/2010		
	Market Year Begin: Oct 2007			Market Year Begin: Oct 2008			Market Year Begin: Oct 2009		
	USDA Official Data		Old Post	USDA Official Data		Old Post	USDA Official Data		Dec
			Data			Data			Data
Area Harvested	1,300	1,300	1,300	1,650	1,550	1,550	1,400	1,600	1,600
Beginning Stocks	175	175	175	167	167	167	217	262	262
Production	3,950	3,950	3,950	6,600	6,645	6,645	4,400	4,400	4,400
MY Imports	341	341	341	100	100	100	250	250	250
TY Imports	341	341	341	100	100	100	250	250	250
TY Imp. from U.S.	8	8	8	0	0	0	0	0	0
Total Supply	4,466	4,466	4,466	6,867	6,912	6,912	4,867	4,912	4,912
MY Exports	49	49	49	1,350	1,350	1,350	50	50	100
TY Exports	49	49	49	1,350	1,350	1,350	50	50	100
Feed Consumption	3,650	3,650	3,650	4,600	4,600	4,600	4,100	4,150	4,100
FSI Consumption	600	600	600	700	700	700	600	600	600
Total Consumption	4,250	4,250	4,250	5,300	5,300	5,300	4,700	4,750	4,700
Ending Stocks	167	167	167	217	262	262	117	112	112
Total Distribution	4,466	4,466	4,466	6,867	6,912	6,912	4,867	4,912	4,912
Yield	3.	3.	3.04	4.	4.	4.29	3.	3.	2.75

Rice

Rice, Milled Russia	2007			2008			2009		
	2007/2008			2008/2009			2009/2010		
	Market Year Begin: Jan 2008			Market Year Begin: Jan 2009			Market Year Begin: Jan 2010		
	USDA Official Data		Old Post	USDA Official Data		Old Post	USDA Official Data		Dec
			Data			Data			Data
Area Harvested	163	160	160	164	170	170	181	170	170
Beginning Stocks	69	69	69	69	69	69	49	49	49
Milled Production	460	460	460	480	475	475	575	575	635
Rough Production	708	708	708	738	731	731	885	885	977
Milling Rate (.9999)	6,500	6,500	6,500	6,500	6,500	6,500	6,500	6,500	6,500
MY Imports	237	233	233	200	200	200	180	200	165
TY Imports	237	233	233	200	200	200	180	200	165
TY Imp. from U.S.	2	0	0	0	2	2	0	3	3
Total Supply	766	762	762	749	744	744	804	824	849
MY Exports	21	15	15	20	20	20	15	20	55
TY Exports	21	15	15	20	20	20	15	20	55
Total Consumption	676	678	678	680	675	675	710	725	725
Ending Stocks	69	69	69	49	49	49	79	79	69
Total Distribution	766	762	762	749	744	744	804	824	849
Yield (Rough)	4.	4.	4.425	4.	4.	4.3	5.	5.	5.7471