

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Grain and Feed July Update

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Grain and Feed

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Report Highlights:

Because of damage resulting from frost and dryness in the Central and Volga Valley FAS Moscow has decreased its grain crop forecast to 92 million metric tons (MMT). Furthermore, low prices adversely affected spring grain sowing. Russia's grain exports in MY 2010 may remain at 20.0 MMT despite decreased production.

General Information:

Production Forecast Update

The Russian Ministry of Agriculture recently decreased their grain crop forecast from 97 million metric tons (MMT) to 90 MMT. The Office of Agricultural Affairs (OAA), FAS, Moscow forecasts grain production at 92 million metric tons (MMT), including 57.5 MMT of wheat, 15.8 MMT of barley, 5.5 MMT of corn, 4 MMT of rye, 5 MMT of oats, 1.0 MMT of rice (in rough equivalent), and 3.8 MMT of other grains and legumes. The forecast was lowered by 3 MMT compared to the previous forecast. [1] This decrease is due to winter grain losses resulting from frost and lack of moisture in some Volga Valley and Central European provinces. Furthermore, low grain prices resulted in a reduction in spring grain area. However, the area sown to winter grain is larger than last year and the total winter grain crop will not decrease dramatically. For many farmers grain production still remains the major source of income, and they will do their best to harvest as much as possible. Farmers in the Southern Federal District are harvesting winter grains a week earlier than last year and current reports indicate the crops are in good condition.

Spring Planting Completed

According to the Ministry of Agriculture, 28.8 million hectares of spring grain and legumes were planted by June 17, 2010; which is a decrease of 8.5 percent compared to the same date in 2009. Spring wheat was sown to 13.7 million hectares, a 7 percent decrease from last year and 6.7 million hectares of spring barley was sown, which is a 21 percent decrease from last year. Corn sowing continues and experts estimate a 10 percent increase over 2009, bringing estimated area to over 1.5 million hectares; however this is still 17 percent less than in the record corn crop year of 2008.

Crop Harvest Started in European Russia

In the third week of June, a week earlier than last year, winter barley harvesting began in Stavropol and Krasnodar krais. Winter wheat harvest is expected to follow shortly. Grain crops in these provinces accounts for 17-19 percent of Russia's total grain crop and current stands look better than last year.

Stocks

FAS Moscow forecasts carry-over grain stocks at the beginning of MY 2010 (July 1, 2010) to be 16 MMT (Table 1).

Table 1. OAA, FAS, Moscow forecasts PSD grain total for MY 2010

	Wheat	Barley	Corn	Rye	Oats	Millet	Rice	Other	TOTAL GRAIN*
Area Harvested	26,500	7,700	1,450	2,050	3,000	400	180	2,300	43,580
Beginning Stocks	12,829	2,162	167	302	376	0	49	0	15,885
Production	57,500	15,800	5,500	4,000	5,000	450	605	2,700	91,881
MY Imports	100	50	150	0	0	0	150	0	450
TY Imports	100	50	150	0	0	0	150	0	450
TY Imp. from U.S.	0	0	0	0	0	0	5	0	5
Total Supply	70,429	18,012	5,817	4,302	5,376	450	804	2,700	107,890
MY Exports	18,000	1,800	300	10	5	0	120	0	20,235
TY Exports	18,000	1,800	300	10	0	0	120	0	20,230
Feed Consumption	20,000	10,500	4,600	520	3,500	250	0	1,200	40,570
FSI Consumption	23,500	4,800	600	3,500	1,600	200	640	1,500	36,340
Total Consumption	43,500	15,300	5,200	4,020	5,100	450	640	2,700	76,910
Ending Stocks	8,929	912	317	272	271	0	44	0	10,745
Total Distribution	70,429	18,012	5,817	4,302	5,376	450	804	2,700	107,890
Yield	2.17	2.05	3.79	1.95	1.67	1.13	5.17	1.17	2.11

* Total grain production includes rough rice production that is estimated at approximately 930,000 MT, compared with 605,000 MT in milled equivalent in the Rice column.

Source: OAA, FAS, Moscow PSD forecast for each grain crop, MY 2010.

Russian Federal State Statistical Service (Rosstat) provides data on physical availability of grain in the country on a certain date. This data includes available grain at all enterprises, including grain at elevators and warehouses, grain stored at farms for the on-farm use and grain kept at feed and flour mills. On May 1, 2010, Rosstat estimated grain stocks at 29.5 MMT [2]. At the beginning of CY 2010 these stocks were estimated at approximately 64 MMT [3]. By the end of MY 2009 (July 1, 2010) Russia will be left with approximately 16 MMT of carry-over stocks from the previous grain crop, one of the largest stock carry-over in 15 years.

However, the pressure of these stocks on the grain market is mitigated by the fact that almost two thirds belong to the state intervention fund and are unlikely to appear in the MY 2010 commercial grain market. Most intervention stocks are kept at the elevators in the Central and the West Siberian Federal Districts, and shortage of vacant storage space in these districts may affect farmers in these regions. However, in other grain producing regions state intervention stocks do not significantly influence farmers' production decisions.

Meanwhile, intervention stocks create financing problems for the Ministry of Agriculture. According to press reports [4] at the beginning of June 2010 the state owned intervention fund consisted of 9.64 MMT of grain from the 2008 and 2009 harvests. Two-thirds of this grain was milling quality wheat and the rest was fodder. In order to purchase this grain in 2008 and 2009 the Government spent 44.6

billion rubles (about \$1.5 billion). The state owned Rosselkhozbank was financing these operations, and this sum is a significant burden to balance. Besides, officials report that the government spent 1 billion rubles (\$33 million) per month to pay commercial elevators for grain storage fees. These significant expenses curb the ability for agricultural officials to request additional money and to expand financing for grain and other agricultural industries in the federal budget.

Trade

Russia's total grain exports are forecast at slightly over 20 MMT, the same level as in MY 2009. Wheat comprises the major portion of these exports – 18 MMT, a 0.5 MMT increase from 2009 estimates. This increase will be covered by the activities of the state United Grain Company (UGC) in the foreign markets. Experts forecast that in MY 2010 the UGC might export up to 3 MMT of grain from the intervention fund as humanitarian aid or commercially. Its sales in MY 2009 are estimated at less than 1 MMT. Private companies will continue to play the major role in Russian's grain exports.

In MY 2010 Russia exported 15.75 MMT of wheat and flour (in grain equivalent), 2.2 MT of barley. Corn exports reached 285,300 MT. Since January 1, 2010, Russia has also exported 45,500 MT of rice.

Policy

The Ministry of Agriculture current priority in the grain sector is to reduce intervention stocks. While the expectation is that the United Grain Company (UGC) will facilitate exports of the government grain, so far the UGC has shipped less than 300,000 MT of humanitarian grain to Cuba and to Mongolia. It will not be able to begin commercial exports until the legislation is amended to allow the commercial export of intervention stocks.

Russian Government authorities approved a five year plan, developed by the United Grain Company. UGC estimates its grain handling modernization and expansion projects at 99 billion rubles (\$3.3 billion), but sources of this money were not specified. The details on the UGC strategy can be found on its website: www.oaoozk.com

Ministry of Agriculture intends to change grain price support and move away from grain interventions towards more flexible and less budget dependant systems. However, this new policy has not yet been approved. Meanwhile, the Ministry of Justice has registered an order from the Agricultural Minister on intervention prices for the 2010 crop (see GAIN RS1022 _ Grain and Feed Annual), which is paving the way to continue the present grain intervention policy.

[1] See RS1022 _ Grain and Feed Annual _ Moscow _ Russian Federation _ 4/9/2010

[2] http://www.mcx.ru/news/news/v2_show/3929.78.htm

[3] Source: Rossiyskaya Gazeta, #5202, of June 8. 2010.

[4] AgroFact Agency, June 7, 2010 (www.agronews.ru)

Production, Supply and Demand Data Statistics :

Wheat

PSD, Wheat, 1,000 Metric Tons, Area in 1,000 Hectares

Wheat Russia	2008/2009			2009/2010			2010/2011		
	Market Year Begin: Jul 2008			Market Year Begin: Jul 2009			Market Year Begin: Jul 2010		
	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post
Area Harvested	26,650	26,650	26,650	28,700	28,700	28,700	27,400	26,500	26,500
Beginning Stocks	3,869	1,819	1,819	10,479	10,479	10,479	12,829	13,584	12,829
Production	63,700	63,700	63,700	61,700	61,695	61,700	57,500	58,500	57,500
MY Imports	203	130	203	150	60	150	150	100	100
TY Imports	203	130	203	150	60	150	150	100	100
TY Imp. from U.S.	0	0	0	0	0	0	0	0	0
Total Supply	67,772	65,649	65,722	72,329	72,234	72,329	70,479	72,184	70,429
MY Exports	18,393	18,393	18,393	17,500	16,950	17,500	17,500	18,000	18,000
TY Exports	18,393	18,393	18,393	17,500	16,950	17,500	17,500	18,000	18,000
Feed and Residual	16,200	14,700	14,773	19,000	18,700	19,000	22,000	19,000	20,000
FSI Consumption	22,700	22,077	22,077	23,000	23,000	23,000	23,200	23,000	23,500
Total Consumption	38,900	36,777	36,850	42,000	41,700	42,000	45,200	42,000	43,500
Ending Stocks	10,479	10,479	10,479	12,829	13,584	12,829	7,779	12,184	8,929
Total Distribution	67,772	65,649	65,722	72,329	72,234	72,329	70,479	72,184	70,429
Yield	2.	2.	2.39	2.	2.	2.15	2.	2.	2.17

Barley

PSD, Barley, 1,000 Metric Tons, Area in 1,000 Hectares

Barley Russia	2008/2009	2009/2010	2010/2011
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	Market Year Begin: Jul 2008			Market Year Begin: Jul 2009			Market Year Begin: Jul 2010		
	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post
Area Harvested	9,600	9,600	9,600	9,050	7,750	7,750	8,100	7,700	7,700
Beginning Stocks	1,025	1,025	1,025	3,637	3,637	3,637	2,387	2,262	2,162
Production	23,100	23,100	23,100	17,900	17,875	17,875	15,500	17,500	15,800
MY Imports	56	56	56	50	50	50	50	50	50
TY Imports	39	50	50	50	50	50	50	50	50
TY Imp. from U.S.	0	0	0	0	0	0	0	0	0
Total Supply	24,181	24,181	24,181	21,587	21,562	21,562	17,937	19,812	18,012
MY Exports	3,444	3,444	3,444	2,100	2,200	2,300	1,800	2,100	1,800
TY Exports	3,598	3,598	3,598	2,100	2,200	2,300	1,800	2,100	1,800
Feed and Residual	12,300	12,300	12,300	12,400	12,400	12,400	10,500	12,300	10,500
FSI Consumption	4,800	4,800	4,800	4,700	4,700	4,700	4,500	4,500	4,800
Total Consumption	17,100	17,100	17,100	17,100	17,100	17,100	15,000	16,800	15,300
Ending Stocks	3,637	3,637	3,637	2,387	2,262	2,162	1,137	912	912
Total Distribution	24,181	24,181	24,181	21,587	21,562	21,562	17,937	19,812	18,012
Yield	2.	2.	2.41	2.	2.	2.31	2.	2.	2.05

Corn

PSD, Corn, 1,000 Metric Tons, Area in 1,000 Hectares

Corn Russia	2008/2009			2009/2010			2010/2011		
	Market Year Begin: Oct 2008			Market Year Begin: Oct 2009			Market Year Begin: Oct 2010		
	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post
Area Harvested	1,650	1,750	1,750	1,100	1,100	1,100	1,500	1,450	1,450
Beginning Stocks	167	167	167	287	336	287	187	106	167
Production	6,600	6,645	6,645	3,950	3,950	3,950	5,500	5,100	5,500
MY Imports	51	60	51	150	130	130	100	200	150
TY Imports	51	60	51	150	130	130	100	200	150
TY Imp. from U.S.	0	0	0	0	0	0	0	0	0
Total Supply	6,818	6,872	6,863	4,387	4,416	4,367	5,787	5,406	5,817
MY Exports	1,331	1,330	1,330	300	260	300	200	200	300
TY Exports	1,331	1,330	1,330	300	260	300	200	200	300
Feed and Residual	4,500	4,506	4,546	3,400	3,550	3,400	4,600	4,400	4,600
FSI Consumption	700	700	700	500	500	500	600	600	600
Total Consumption	5,200	5,206	5,246	3,900	4,050	3,900	5,200	5,000	5,200
Ending Stocks	287	336	287	187	106	167	387	206	317
Total Distribution	6,818	6,872	6,863	4,387	4,416	4,367	5,787	5,406	5,817
Yield	4.	4.	3.80	4.	4.	3.59	4.	4.	3.79