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Grain and Feed June Update

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Approved By:
Levin Flake
Prepared By:
Yelena Vassilieva

Report Highlights:
FAS/Moscow forecasts grain production in Russia in 2012 at 88 million metric tons (MMT). This includes a forecast of 54 MMT for wheat, 16 MMT for barley and 6.5 MMT for corn. Wheat production is expected to fall from last year as a result of spring dryness in key producing regions. Smaller grain production coupled with lower carry-in grain stocks in key exporting regions of Russia will result in lower exports in the 2012/13 marketing year, with total grain exports forecast at 19 MMT, down from a record 27.1 MMT in the 2011/12 marketing year. This 19 MMT estimate includes 16 MMT of wheat, 2 MMT of barley, 0.5 MMT of corn, and 0.5 MMT of other grains and pulses.

Production:

FAS/Moscow forecasts grain production in Russia in 2012 at 88 million metric tons (MMT) down from 94 MMT last year. For wheat, FAS/Moscow maintains a forecast of 54 MMT, down over 2 MMT from last year as a result of poor overwintering conditions in key Southern growing areas as well as dry and hot spring weather in the Volga Valley and Central growing areas. FAS/Moscow forecasts barley production at 16 MMT, down 1 MMT from last year as a result of very significant winter kill of winter barley in the Southern Federal District. Corn production is forecast at 6.5 MMT, down slightly from last year but still the third largest corn crop ever. In Southern European Russia farmers may increase corn sown area on winter grain fields destroyed by winter kill. Forecasts for rye, oats, millet and rice (milled) are at 2.7 MMT, 5 MMT, 0.4 MMT, and 0.7 MMT respectively. Production of other grains and pulses is forecast at 3 MMT. Meanwhile, preliminary forecasts for Russia's grain crop in 2012 in Russia currently vary from a low of 88 million metric tons by some industry analysts to as high as 93-94 MMT by the Russian Ministry of Agriculture.

Winter Grain Condition

As of mid-May 2012, conditions of winter grain in Russia's major winter grain producing areas are estimated at worse than in 2011, but close to 5-year averages. Russia's total area sown to winter grain was approximately 16 million hectares, and according to Ministry of Agriculture, winter kill did not exceed 6-7 percent of the total winter grain sown area. However, the worst frost damage was in two major winter grain producing provinces, Krasnodar and Stavropol krays in the Southern Federal District. In many provinces of the Central, Volga Valley and Southern Federal Districts winter grain was in very good condition in March and the beginning of April, but since then yield expectations have been reduced due to a drastic and unexpected decrease in soil moisture. Many farmers complained that there was practically no spring as cold winter weather suddenly switched to summer heat and dryness. This sudden onset of very hot temperatures resulted in snow quickly melting and evaporating rather than soaking into the soil to improve moisture levels. In addition, this weather has sped up the development of winter wheat, with heading occurring 2 weeks early in many parts. In some areas there was no rain from the first week of April through mid to late May and this significantly impacted the growth of winter wheat. Although rains began to fall at the end of May and this will help in filling of grain, the yield potential is expected to already have been significantly damaged by the previous dryness. TheseMay rains, however, are expected to be beneficial for sown spring crops, including corn and sunflowerseeds.

Spring Sowing

Industry analysts forecast spring grain sown area at 30.27 – 30.28 million hectares, including 13.59 million hectares of spring wheat, 7.66 million hectares of spring barley, 1.77 million hectares of corn, and over 7 million hectares of other spring grains and pulses. As of May 23, 2012 total spring grain crops were sown on 22.55 million hectares, which was 2.71 million hectares more than on the same date last year. Spring wheat was planted on 9.01 million hectares, 0.78 million hectares more than on the same date last year, spring barley was planted on 7.05 million hectares, 1.05 million hectares more than on the same date last year, and corn planted area was 1.71 million hectares, 0.49 million hectares more than on the same date last year.

Information on spring grain sowing by federal districts is from May 16th, 2012:

- In the Central Federal District spring grains and pulses were sown on 3.73 million hectares (92 percent of planned spring grain area, and 0.14 million hectares more than last year on the same date);

- In the Southern Federal District spring grains and pulses were planted on 2.27 million hectares (96 percent of planned area, and 0.35 million hectares more than last year);
- In the North Caucasus Federal District spring grains were planted on 0.56 million hectares (89 percent of planned area, and 0.23 million hectares more than in 2011);
- In the Volga Valley Federal district area sown to spring grains and pulses were 7.98 million hectares (89 percent of the planned area, and 1.50 million hectares more than in 2011);
- In the Ural Federal District area sown to spring grains and pulses was 2.29 million hectares (60 percent of planned area, and 0.46 million hectares more than last year on the same date)
- In the Siberian Federal District spring grains and pulses area was 5.27 million hectares (54 percent of the planned area, and 0.08 million hectares more than on the same date last year).

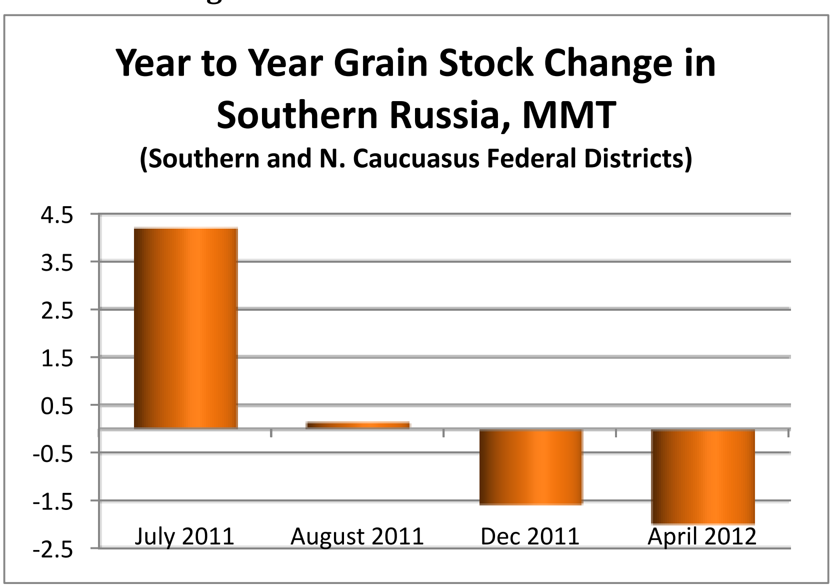
Thus, area sown to spring grains and pulses in 2012 may exceed 2011 spring area. Although farmers in some areas complain that soil moisture was insufficient at the time of sowing, recent rains will have helped and the final crop will largely depend on the weather conditions from June – August.

Trade:

2012/13 Exports

Smaller grain production coupled with lower carry-in grain stocks in key exporting regions of Russia will result in a fall in exports in the 2012/13 marketing year, with total grain exports forecast at 19 MMT, down from the record 27.1 MMT in the 2011/12 marketing year. While this time last year grain stocks in regions close to export ports were high as a result of the grain export ban, currently stocks in these regions are low as a result of the very strong export campaign (see chart below). While wheat exports in July 2011 were at a record level for that month of 2.6 MMT, July 2012 wheat exports will likely fall back to a more average level of only about 1/4th that amount. FAS/Moscow forecasts Russia's total grain exports in MY 2012/13 at approximately 19 MMT, including 16 MMT of wheat, 2 MMT of barley, 0.5 MMT of corn, 0.3 MMT of pulses, and 0.2 MMT of other grains, such as rye, rice, oats, millet, buckwheat.

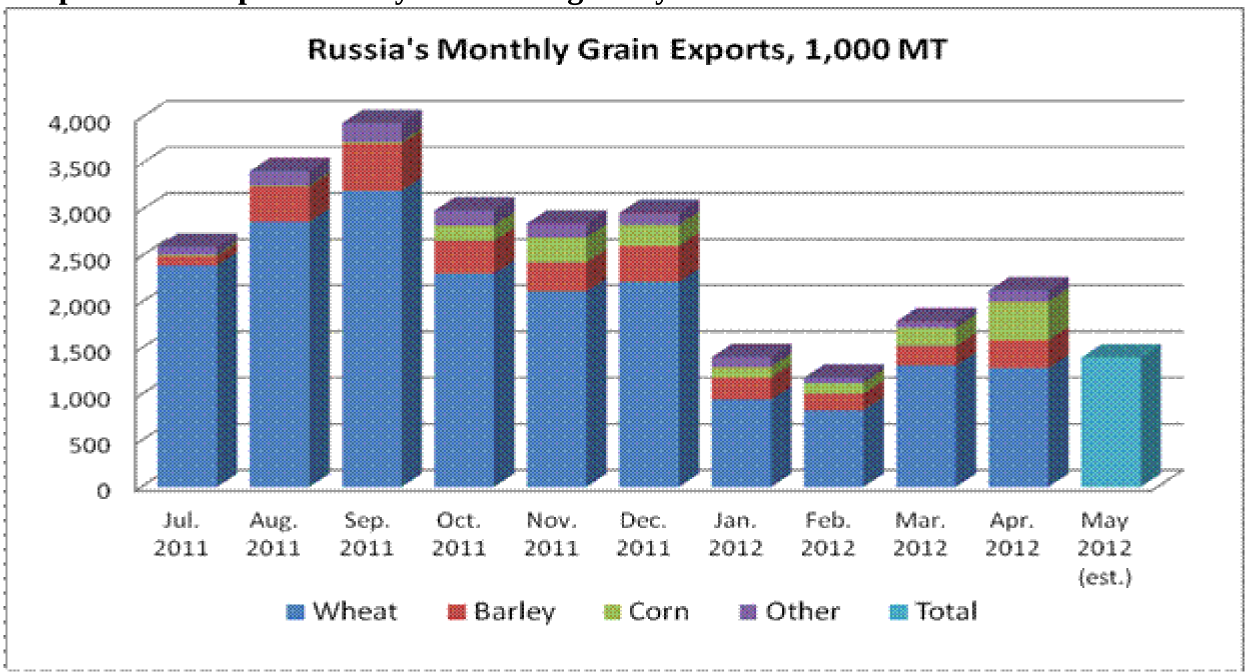
Graph: Year to Year Stock Change in Southern Russia



2011/12 Exports

After a slow down in January - February, Russia increased grain exports in March – April 2012. Industry analysts forecast grain exports in May and June 2012 at 1.4 MMT each month, and continued exports in these two months may be supported by still attractive world prices and a weakening ruble/strengthening dollar. From July 1, 2011 through April 2012 Russia exported 25.3 million metric tons (MMT) of grain and pulses, including 19.51 MMT of wheat, 0.37 MMT of wheat flour in grain equivalent, 2.99 MMT of barley; almost 1.57 MMT of corn, 0.16 MMT of rice, 0.14 MMT of rye, and 0.55 MMT of pulses.

Graph. Grain Exports in July 2011 through May 2012



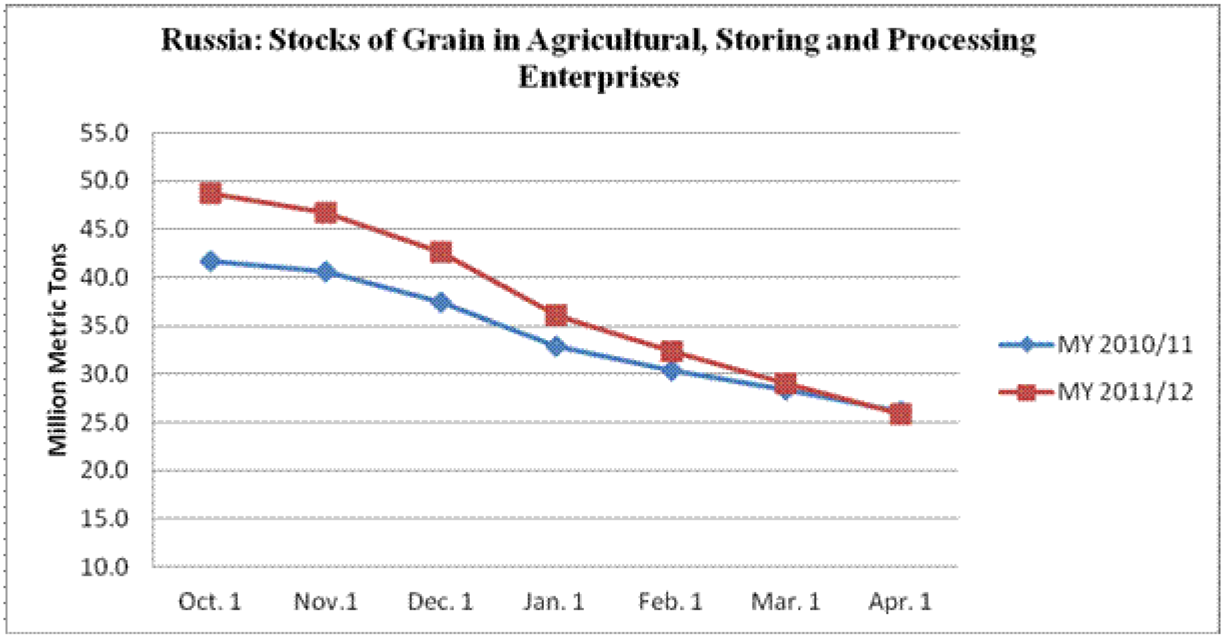
Source: SovEcon

FAS/Moscow estimates Russia's grain exports in MY 2011/12 at 27.1 MMT, including 21 MMT of wheat, 3.3 MMT of barley, 2 MMT of corn (record corn exports from Russia), almost 0.5 MMT of pulses and 0.25 MMT of other grains.

Stocks:

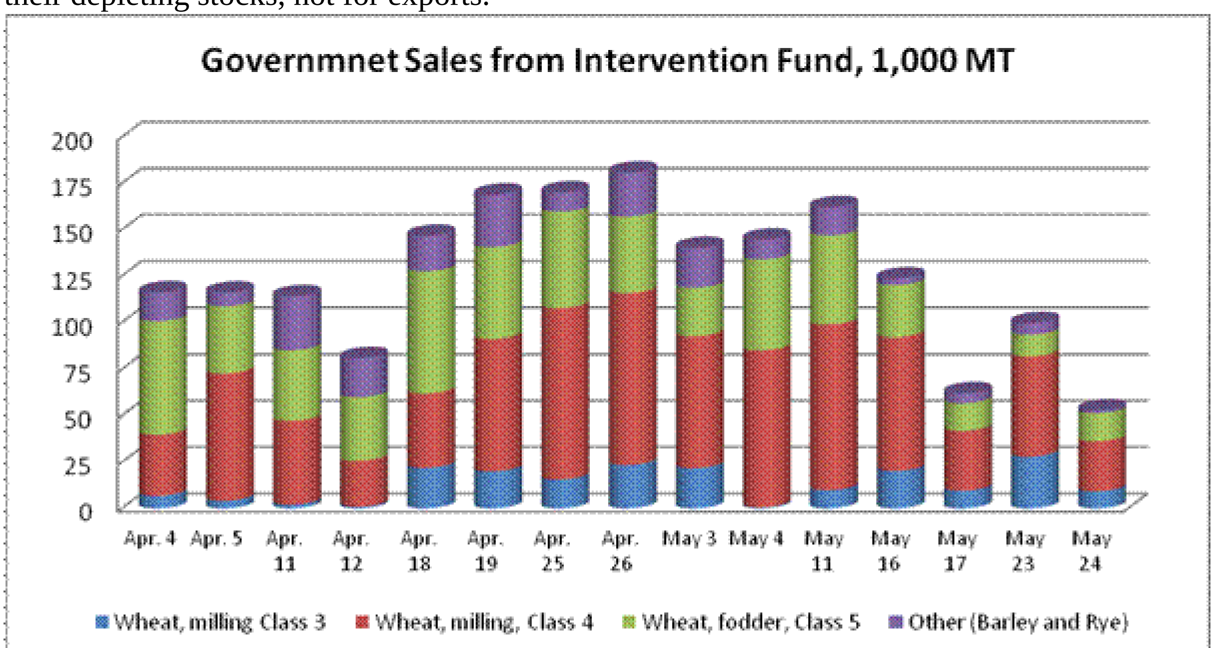
Massive grain exports in MY 2011/12 resulted in depletion of Russia's grain stocks, especially in the Southern and North Caucasus federal districts, the major grain exporting regions of Russia. By April 1, 2012 Russia's grain stocks at farms and grain processing and trading enterprises and warehouses decreased to 25.8 MMT that was 0.44 MMT less than on April 1, 2011 when grain exports had been banned for already 7.5 months. Moreover, grain stocks in the major grain exporting federal districts shrunk in comparison with April 2011. In the Southern Federal District grain stocks were approximately 3.9 MMT (25 percent less than on April 1, 2011), and in the North Caucasus Federal District – less than 1.4 MMT (32 percent less than on April 1, 2011).

Graph. Russia: Stocks of Grain, MY 2010/11 and MY 2011/12



Policy:

The Russian government began selling grain from the intervention fund on April 4, 2012, and through May 24, 2012 had sold almost 1.9 million metric tons of grain, including 193,000 MT of soft milling wheat Class 3, 898,000 MT of soft milling wheat Class 4, 570,000 MT of feed wheat Class 5, and 218,000 MT of feed barley and food quality rye. The value of sold grain exceeded 10 billion rubles. Milling quality wheat Class 4 was in the highest demand, followed by feed quality wheat Class 5. Industry analysts report that the range of buyers was not limited to feed and flour millers. Traders also actively participated in buying Class 4 grain from the intervention fund, but primarily for replenishing their depleting stocks, not for exports.



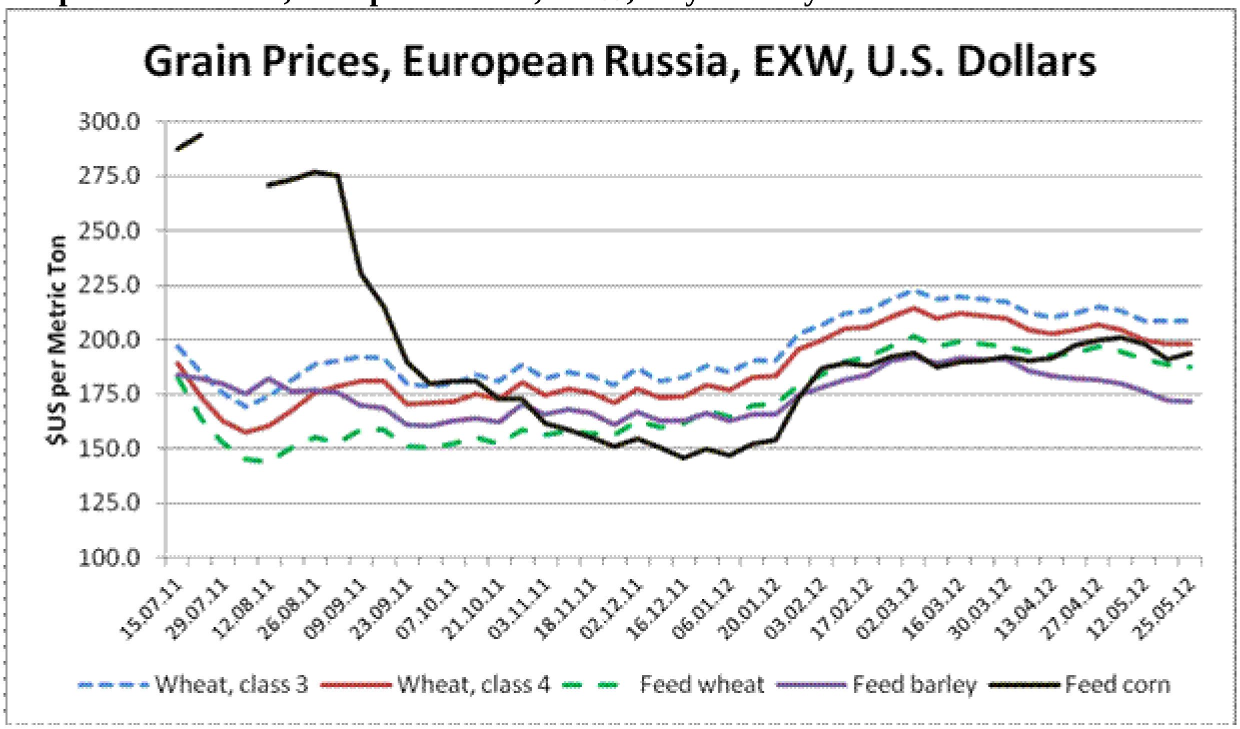
In May 2012 the Russian Ministry of Justice registered the Ministry of Agriculture Order about the minimum level of market prices at which the government will begin purchasing grain of the 2012 crop to the Intervention Fund. The government may begin procurement interventions when the market price of milling wheat Class 4 decreases to 4,700 – 4,900 rubles (currently $151-$158) per MT, and the market price of milling wheat Class 3 falls below 5,300 rubles per MT in the Central Russia, and 5,000 rubles per MT behind Ural. The minimum market price for rye is set at 4,100 rubles per MT, and for fodder barley – at 4,250 rubles per MT. Current market prices are 20-30 percent higher than the Ministry of Agriculture's minimum price, and so far grain procurement interventions in 2012/13 marketing year seem unlikely.

Marketing:

Prices

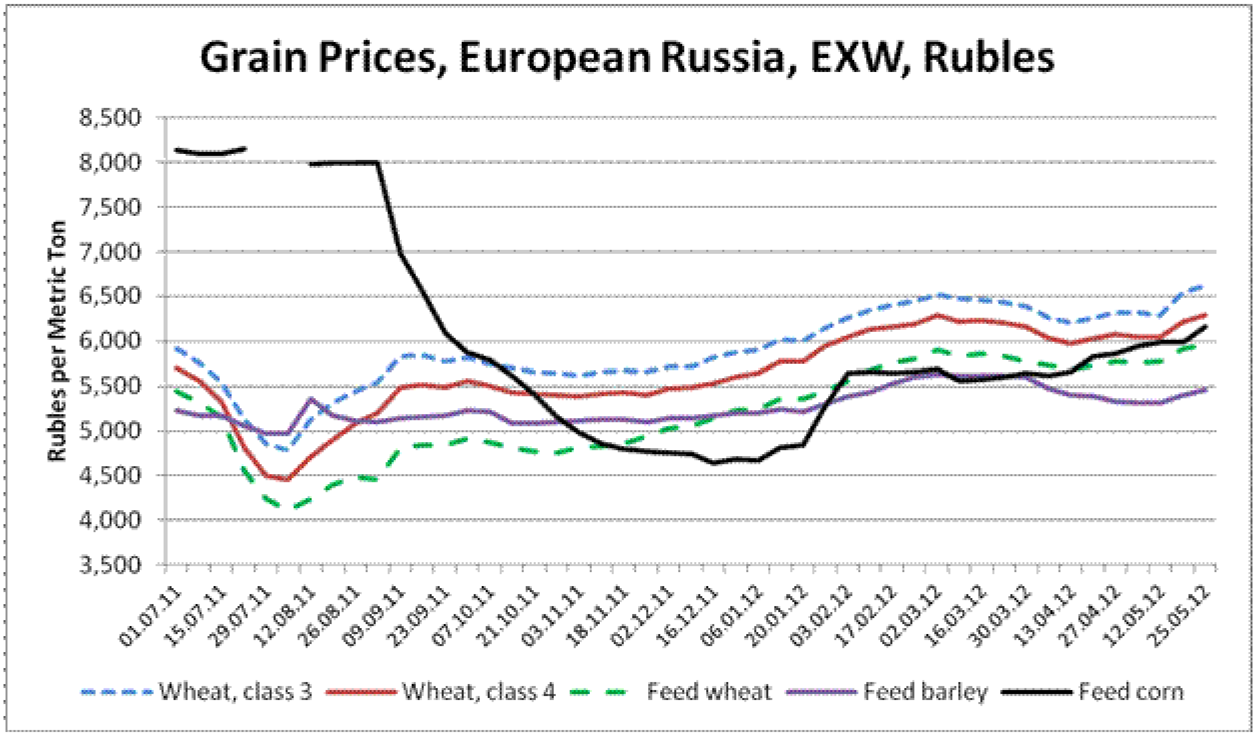
Domestic prices in rubles continue increasing, while the dollar value of grain is either stable or decreasing due to increased exchange rate from 29.5 rubles per 1 USD a month ago to the current 32.0 rubles per 1 USD.

Graph. Grain Prices, European Russia, EXW, July 1 – May 2012



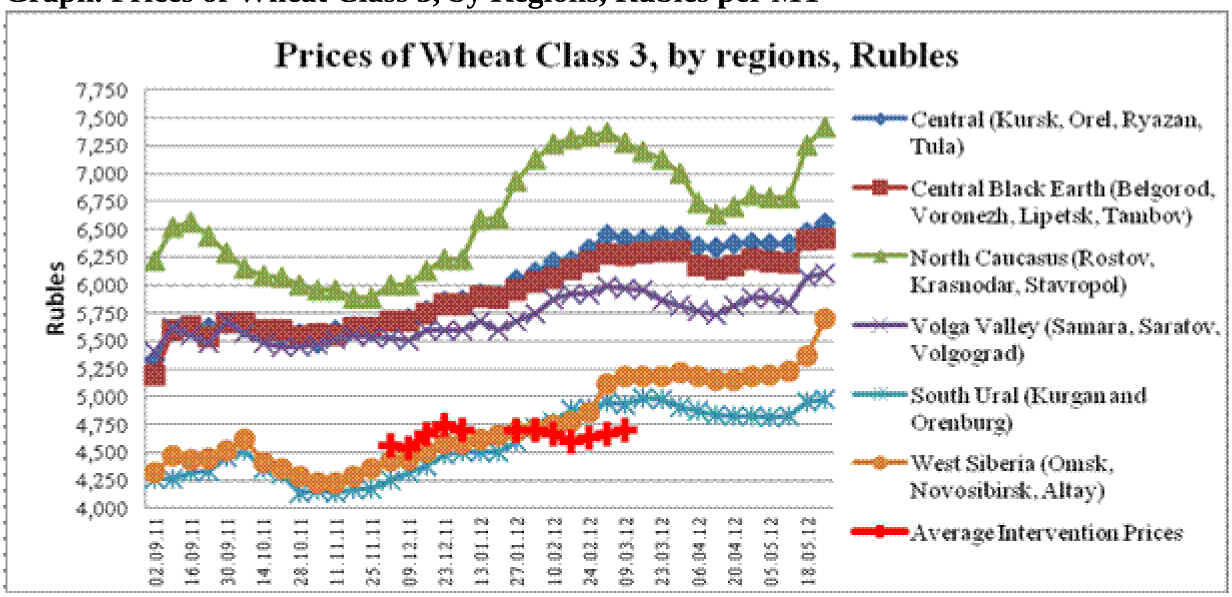
Source: ProZerno

Graph. Grain Prices, European Russia, July 1 – October 21, 2011, EXW, Rubles



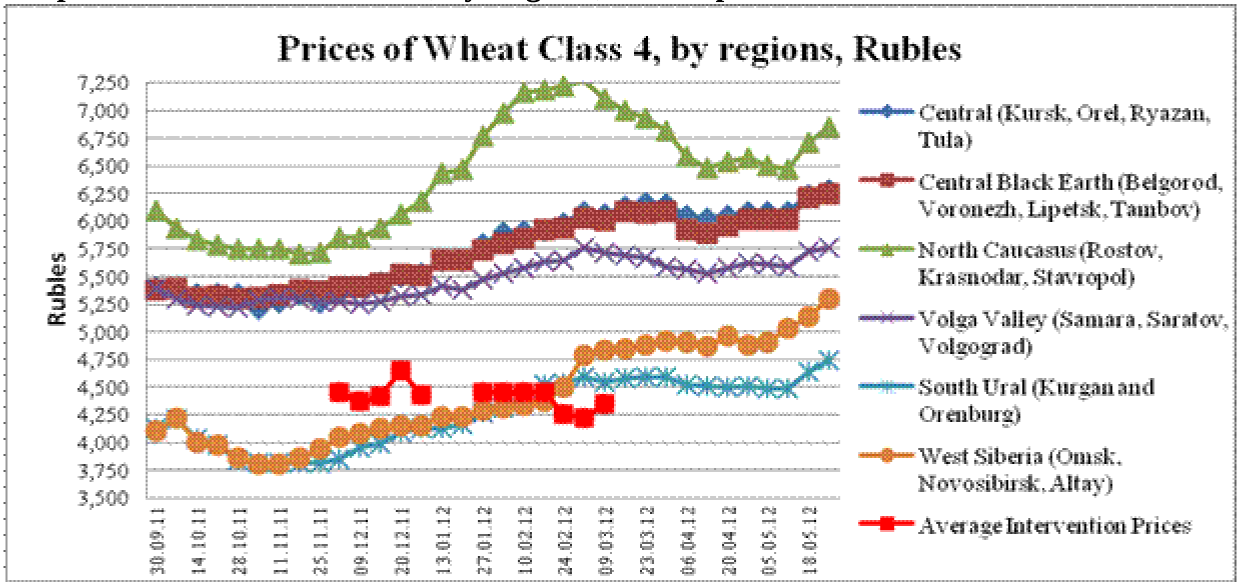
Source: ProZerno

Graph. Prices of Wheat Class 3, by Regions, Rubles per MT



The market price of grain in different districts stabilized in the beginning of April when the Government began selling grain from the State Intervention Fund, and prices began increasing in May.

Graph. Prices of Wheat Class 4, by Regions, Rubles per MT



Production, Supply and Demand Data Statistics :

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

Wheat Russia	2010/2011		2011/2012		2012/2013	
	Market Year Begin: Jul 2010		Market Year Begin: Jul 2011		Market Year Begin: Jul 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	21,750	21,750	24,900	24,900	25,500	25,750
Beginning Stocks	14,232	14,257	13,246	13,271	10,177	10,202
Production	41,508	41,508	56,231	56,231	56,000	54,000
MY Imports	89	89	200	200	200	200
TY Imports	89	89	200	200	200	200
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	55,829	55,854	69,677	69,702	66,377	64,402
MY Exports	3,983	3,983	21,000	21,000	18,000	16,000
TY Exports	3,983	3,983	21,000	21,000	18,000	16,000
Feed and Residual	16,000	16,000	16,000	16,000	16,000	16,000
FSI Consumption	22,600	22,600	22,500	22,500	22,400	22,400
Total Consumption	38,600	38,600	38,500	38,500	38,400	38,400
Ending Stocks	13,246	13,271	10,177	10,202	9,977	10,002
Total Distribution	55,829	55,854	69,677	69,702	66,377	64,402
1000 HA, 1000 MT, MT/HA						

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

Barley Russia	2010/2011		2011/2012		2012/2013	
	Market Year Begin: Jul 2010		Market Year Begin: Jul 2011		Market Year Begin: Jul 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	4,970	4,970	7,700	7,700	7,900	7,900
Beginning Stocks	2,395	2,389	1,386	1,380	1,221	915
Production	8,350	8,350	16,935	16,935	16,500	16,000
MY Imports	408	408	200	200	200	200
TY Imports	411	411	200	200	200	200
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	11,153	11,147	18,521	18,515	17,921	17,115
MY Exports	267	267	3,100	3,300	2,200	2,000
TY Exports	969	969	2,700	2,900	2,200	2,000

Feed and Residual	5,500	5,500	9,700	9,800	9,900	9,800
FSI Consumption	4,000	4,000	4,500	4,500	4,500	4,400
Total Consumption	9,500	9,500	14,200	14,300	14,400	14,200
Ending Stocks	1,386	1,380	1,221	915	1,321	915
Total Distribution	11,153	11,147	18,521	18,515	17,921	17,115
1000 HA, 1000 MT, MT/HA						

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

Corn Russia	2010/2011		2011/2012		2012/2013	
	Market Year Begin: Oct 2010		Market Year Begin: Oct 2011		Market Year Begin: Oct 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	1,020	1,020	1,550	1,550	1,700	1,700
Beginning Stocks	122	160	72	94	202	124
Production	3,075	3,075	6,680	6,680	7,000	6,500
MY Imports	112	108	50	50	50	50
TY Imports	112	108	50	50	50	50
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	3,309	3,343	6,802	6,824	7,252	6,674
MY Exports	37	49	1,500	2,000	500	500
TY Exports	37	49	1,500	2,000	500	500
Feed and Residual	2,800	2,800	4,400	4,000	5,500	5,000
FSI Consumption	400	400	700	700	900	800
Total Consumption	3,200	3,200	5,100	4,700	6,400	5,800
Ending Stocks	72	94	202	124	352	374
Total Distribution	3,309	3,343	6,802	6,824	7,252	6,674
1000 HA, 1000 MT, MT/HA						

PSD, Rice, Milled, 1,000 Metric Tons, Area in 1,000 Hectares

Rice, Milled Russia	2010/2011		2011/2012		2012/2013	
	Market Year Begin: Jan 2011		Market Year Begin: Jan 2012		Market Year Begin: Jan 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	201	202	207	207	210	210
Beginning Stocks	55	55	89	89	96	81
Milled Production	690	690	682	682	700	700
Rough Production	1,062	1,062	1,049	1,049	1,077	1,077
Milling Rate (.9999)	6,500	6,500	6,500	6,500	6,500	6,500
MY Imports	176	176	175	170	200	200
TY Imports	176	176	175	170	200	200
TY Imp. from U.S.	3	0	0	0	0	0
Total Supply	921	921	946	941	996	981
MY Exports	142	142	150	160	150	150
TY Exports	142	142	150	160	150	150
Consumption and Residual	690	690	700	700	750	750
Ending Stocks	89	89	96	81	96	81
Total Distribution	921	921	946	941	996	981
1000 HA, 1000 MT, MT/HA						

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

Rye Russia	2010/2011		2011/2012		2012/2013	
	Market Year Begin: Jul 2010		Market Year Begin: Jul 2011		Market Year Begin: Jul 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	1,380	1,380	1,520	1,520	1,550	1,550
Beginning Stocks	308	360	250	282	219	201
Production	1,642	1,642	2,969	2,969	3,000	2,700
MY Imports	150	150	0	0	0	0
TY Imports	150	150	0	0	0	0

TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	2,100	2,152	3,219	3,251	3,219	2,901
MY Exports	0	0	100	150	100	50
TY Exports	21	21	100	150	100	50
Feed and Residual	100	100	200	200	300	150
FSI Consumption	1,750	1,770	2,700	2,700	2,500	2,500
Total Consumption	1,850	1,870	2,900	2,900	2,800	2,650
Ending Stocks	250	282	219	201	319	201
Total Distribution	2,100	2,152	3,219	3,251	3,219	2,901
1000 HA, 1000 MT, MT/HA						

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

Oats Russia	2010/2011		2011/2012		2012/2013	
	Market Year Begin: Jul 2010		Market Year Begin: Jul 2011		Market Year Begin: Jul 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	2,240	2,240	2,930	2,930	3,000	3,000
Beginning Stocks	397	428	167	194	496	523
Production	3,218	3,218	5,334	5,334	5,000	5,000
MY Imports	4	0	0	0	0	0
TY Imports	4	0	0	0	0	0
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	3,619	3,646	5,501	5,528	5,496	5,523
MY Exports	2	2	5	5	5	5
TY Exports	1	1	5	5	5	5
Feed and Residual	2,050	2,050	3,500	3,500	3,600	3,600
FSI Consumption	1,400	1,400	1,500	1,500	1,500	1,500
Total Consumption	3,450	3,450	5,000	5,000	5,100	5,100
Ending Stocks	167	194	496	523	391	418
Total Distribution	3,619	3,646	5,501	5,528	5,496	5,523
1000 HA, 1000 MT, MT/HA						

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

Millet Russia	2010/2011		2011/2012		2012/2013	
	Market Year Begin: Jul 2010		Market Year Begin: Jul 2011		Market Year Begin: Jul 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	170	170	630	630	500	500
Beginning Stocks	0	0	0	0	0	0
Production	131	131	878	878	600	500
MY Imports	0	0	0	0	0	0
TY Imports	0	0	0	0	0	0
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	131	131	878	878	600	500
MY Exports	0	0	0	0	0	0
TY Exports	0	0	0	0	0	0
Feed and Residual	5	5	578	578	300	200
FSI Consumption	126	126	300	300	300	300
Total Consumption	131	131	878	878	600	500
Ending Stocks	0	0	0	0	0	0
Total Distribution	131	131	878	878	600	500