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Grain and Feed November Update

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Grain and Feed

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Report Highlights:

The Moscow Office of Agricultural Affairs (MOAA) increased Russia's total grain crop forecast by 3 million metric tons (MMT) to 93 MMT due to reports of good crop harvested in Siberia and Ural in October, 2009. Grain exports forecast remains 19.0 MMT due to decreasing domestic prices which may compensate for the strengthening ruble and stiff competition in the foreign markets. Support of domestic grain producers through interventions will decrease because the intervention budget was slashed from 40.0 billion rubles last year to 9.5 billion rubles.

Production:

Crop Forecast

The Moscow Office of Agricultural Affairs (MOAA) increased Russia's grain crop forecast by 3.0 million metric tons (MMT) to 93.0 MMT. Wheat production forecast increased by 2.0 MMT to 58.5 MMT. The increase is based on the information about good grain harvest conditions in October in Siberia and in Ural. Barley forecast is increased by 0.7 MMT to 17.7 MMT for the same reason. Corn production forecast is decreased by 300,000 metric tons (MT) to 4.4 MMT due to low yields in European Russia. In the beginning of October, 2009, the Russian Minister of Agriculture Yelena Skrynnik reported that the grain crop may exceed 90.0 MMT, but did not specify the tonnage.

Grain Harvest Progress

According to the Ministry of Agriculture, as of October 20, 2009, Russian farmers harvested 98.8 MMT of grains and legumes (in bunker weight) from 41.5 million hectares (91 percent of sown area), including 62 MMT of wheat and 18.5 MMT of barley. The total also includes 2.2 MMT of corn harvested from 645,000 hectares (45 percent of sown area), and 0.9 MMT of rough rice harvested from 150,000 hectares (83 percent of sown area). The average corn yields are 3.47 MT/ha, or 0.83 MT/ha less than last year, and the average rice yield is 5.94 MT/ha, or 1.34 MT/ha more than last year.

The provinces of the Southern Federal District harvested 28.3 MMT of grain and legumes from 9.2 million hectares, or 90 percent of sown area. Farmers in the Central Federal District harvested 22.4 MMT of grain from 7.4 million hectares (95 percent of sown area). The provinces of the Volga Valley Federal District harvested 22.7 MMT from 11.1 million hectares (88 percent of sown area). The average yields in the provinces of these tree federal districts are lower than last year by 0.6 MT/ha, 0.4 MT/ha, and 0.1 MT/ha respectively. In the provinces of the Siberian Federal District the yields are 0.4 MT higher than last year, and by October 20, 2009, they harvested 18.9 MMT of grain from 9.8 million hectares (92 percent of sown area). In the Ural Federal District farmers harvested 5.4 MMT of grain from 3.4 million hectares (89 percent of area), and yields are the same as last year. The provinces of the North-Western and the Far Eastern federal districts are not big grain producers, and as of October 20, 2009, they harvested 0.7 MMT and 0.6 MMT from 280,000 hectares (89 percent of area) and 366,000 hectares (87 percent of sown area) respectively.

Winter Grain Sowing

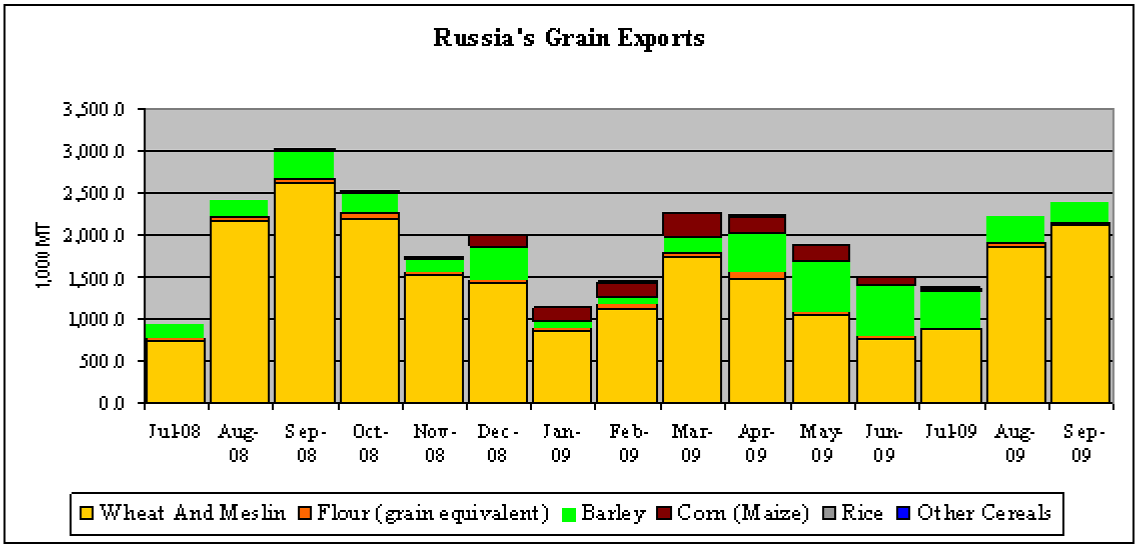
According to the Russian Ministry of Agriculture, as of October 20, 2009, winter grain was sown on 17.1 million hectares (1.4 million hectares more than on the same date last year). In spite of low grain prices and an unclear financial future, many farmers increased area sown to winter grain driven by the necessity to survive and by absence of alternative occupations.

Trade:

In July – September 2009 Russia exported 4.9 MMT of wheat, including 2.1 MMT that were exported in September. However, wheat exports are lagging behind those in July – September

2008, when Russia exported 5.4 MMT of grain. In July – September Russia exported 95,000 MT of wheat flour in grain equivalent. Barley exports in the three months reached 980,000 MT, a 42 percent increase from volumes exported in the same period last year. However, unlike last year, exports were decreasing every month. In July, Russia exported 434,000 MT of barley from the stocks (In July 2008 – 166,000 MT), but in September barley exports were only 234,000 MT (332,000 MT in September 2008). The last big shipment of corn from Russia was in July – 25,000 MT. In August – September Russia exported only 6,400 MT of corn.

Graph 1. Russia: Grain Exports by Types of Grain and by Months



Source: World Trade Atlas, SovEcon data for July - September 2009

MOAA's grain exports forecast remains 19.0 MMT, including 16.8 MMT of wheat and flour, 2.0 MT of barley, and approximately 120,000 MT of other grains, including rye, corn, and rice. Low domestic grain prices might support wheat and barley exports in spite of tight competition in the foreign markets, and strengthening ruble. In the end of October the exchange rate is 29 rubles per $1, while in the beginning of July 2009 it was 31 rubles per $1.

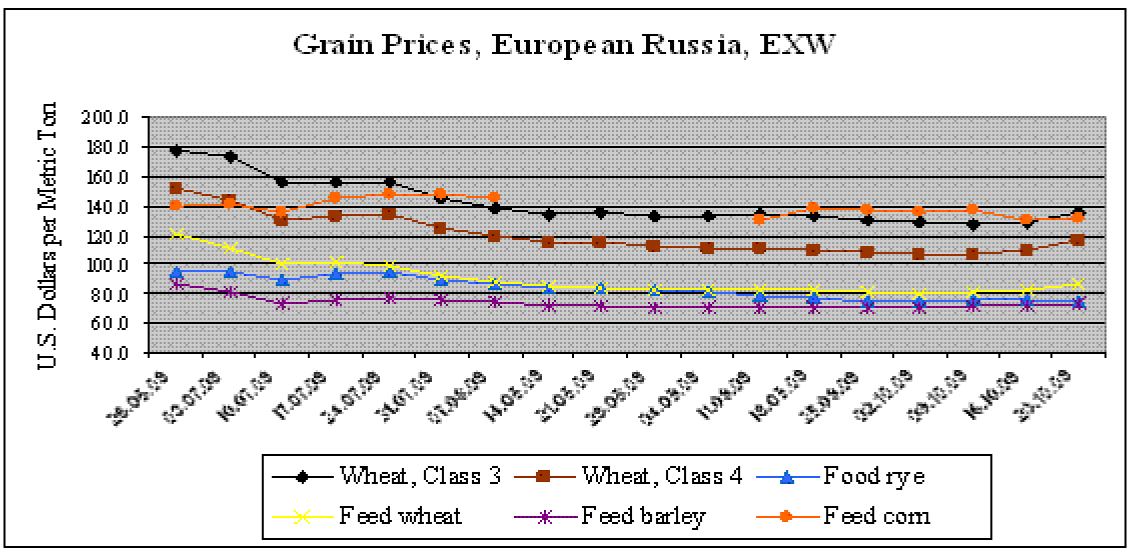
Policy:

In the interviews to Rossiyskaya Gazeta on October 1, 2009, and October 13, 2009, the Agricultural Minister stated that the regional (provincial) authorities shall themselves plan volumes of production and channels of distribution for grain and other commodities that their provinces produce: "if they produce grain they should know how and where to sell it". According to Minister Skrynnik, the objective of intervention is "to send signals to the market on prices, but not to accumulate it in storage, as it costs a lot to the budget". The interviews are on the Rossiyskaya Gazeta's web-site: http://www.rg.ru/printable/2009/10/01/skrynnik.html and http://www.rg.ru/2009/10/13/skrynnik.html

The interviews preceded the recent information that the federal budget for the state procurement of grain in 2009 will be reduced to 9.5 billion rubles from the 40 billion rubles last year (see GAIN RS9067 _ Grain and Feed _ Grain Interventions Begin in November). If the government starts purchasing grain for the announced price of 5,500 rubles per metric ton of milling wheat class 3, and 4,900 rubles per metric tons of milling wheat Class 4, then it will be able to purchase less than 2.0 MMT of wheat. If the grain will be purchased for the price close to the current market price (3,800 rubles for milling wheat Class 3, and 3,200 rubles for milling wheat Class 4), then the amount of purchased grain may increase to 2.5 MMT. However, Ministry of Agriculture informed that as of October 29, 2009, 784 agricultural producers were accredited for participation in interventions, and they already offered 5.4 MMT of grain for sale. Since the beginning of accreditation on October 22, 2009, the volumes of grain offered for sale increases every working day by almost 0.5 MMT.

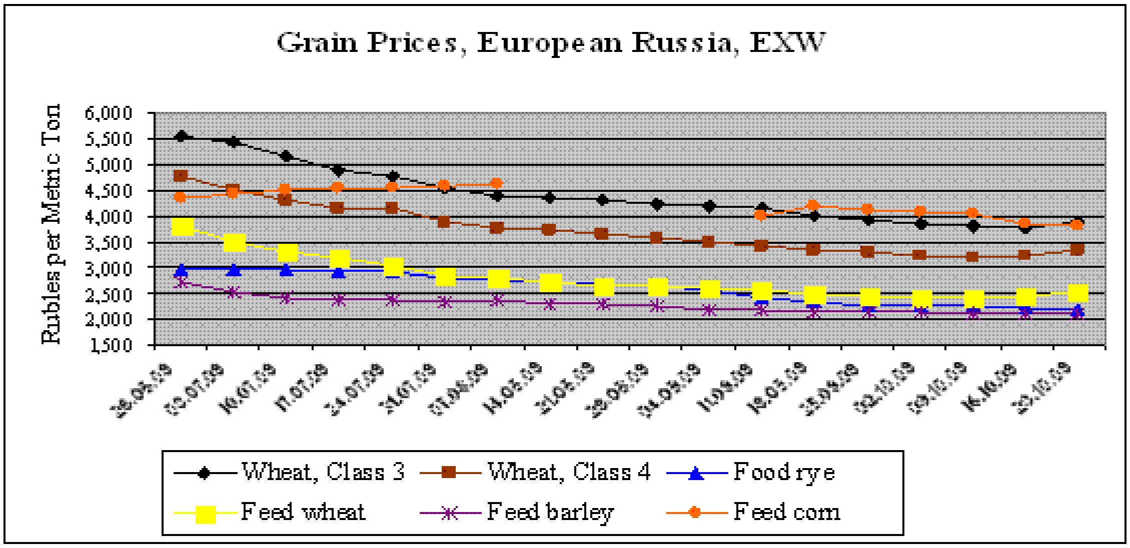
Marketing:
In July – October the domestic grain prices were decreasing along with the improving grain forecast. At the end of October experts reported that the price of milling wheat in European Russia stabilized. Possibly the stabilization was caused by the expected start of grain procurement interventions. However, given the small intervention funds, the effect of interventions on prices will be small. Besides, the spread of African Swine Fever in some southern provinces of European Russia led to veterinary restrictions on movement of feeds from affected regions to another, and may cause local decreases in feed-millers' demand for fodder grain. Since there are no veterinary restrictions on the movement of grain, the farmers may increase grain sales to export traders at low price. Thus, domestic grain prices are most likely remaining low. Graphs below show change in prices in European Russia in U.S. Dollars and in rubles.

Graph 2. Grain prices in European Russia, in U.S. Dollars



Source: WJ ProZerno

Graph 3. Grain Prices in European Russia, in Rubles



Source: WJ ProZerno

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 Data	USDA Official Data		Old Post Data	USDA Official Data		Nov 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	57,500	56,500	58,500
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	66,129	65,129	67,129
MY Exports	12,552	12,552	12,552	18,393	18,330	18,330	16,500	16,800	16,800
TY Exports	12,552	12,552	12,552	18,393	18,330	18,330	16,500	16,800	16,800
Feed Consumption	15,050	15,150	15,150	16,200	16,240	16,240	17,500	17,500	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	40,200	40,200	40,700
Ending Stocks	1,819	1,819	1,819	8,429	8,429	8,429	9,429	8,129	9,629
Total Distribution	52,071	52,220	52,220	65,722	65,699	65,699	66,129	65,129	67,129
Yield	2.	2.	2.02	2.	2.	2.45	2.	2.	2.17

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 Data	USDA Official Data		Old Post Data	USDA Official Data		Nov 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	17,000	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	20,793	21,493
MY Exports	1,046	1,046	1,046	3,444	3,444	3,444	2,200	2,000	2,000
TY Exports	1,277	1,277	1,277	3,700	445	445	2,200	2,000	2,000
Feed Consumption	10,450	10,450	10,450	12,300	12,300	12,300	12,400	12,400	12,600
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	17,100	17,300
Ending Stocks	1,037	1,037	1,037	3,693	3,693	3,693	2,493	1,693	2,193
Total Distribution	17,133	17,066	17,066	24,237	24,237	24,237	21,793	20,793	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		Nov
			Data			Data			Data
Area Harvested	1,300	1,300	1,300	1,650	1,550	1,550	1,500	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	4,700	4,700	4,400
MY Imports	341	341	341	100	100	100	200	200	250
TY Imports	341	341	341	100	100	100	200	200	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	5,117	5,162	4,912
MY Exports	49	49	49	1,350	1,350	1,350	100	100	50
TY Exports	49	49	49	1,350	1,350	1,350	100	100	50
Feed Consumption	3,650	3,650	3,650	4,600	4,600	4,600	4,300	4,300	4,150
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	4,900	4,900	4,750
Ending Stocks	167	167	167	217	262	262	117	162	112
Total Distribution	4,466	4,466	4,466	6,867	6,912	6,912	5,117	5,162	4,912
Yield	3.	3.	3.04	4.	4.	4.29	3.	3.	2.75

Rye

Rye 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		Nov
			Data			Data			Data
Area Harvested	2,100	2,100	2,100	2,200	2,200	2,200	2,200	2,200	2,200
Beginning Stocks	32	76	76	63	63	63	288	288	288
Production	3,900	3,915	3,915	4,500	4,505	4,505	4,000	3,800	4,000
MY Imports	0	5	5	0	0	0	0	0	0
TY Imports	0	5	5	0	0	0	0	0	0
TY Imp. from U.S.	0	0	0	0	0	0	0	0	0
Total Supply	3,932	3,996	3,996	4,563	4,568	4,568	4,288	4,088	4,288
MY Exports	119	118	118	25	20	20	50	50	50
TY Exports	86	86	86	25	20	20	50	50	50
Feed Consumption	600	650	650	750	760	760	750	700	750
FSI Consumption	3,150	3,165	3,165	3,500	3,500	3,500	3,300	3,200	3,300
Total Consumption	3,750	3,815	3,815	4,250	4,260	4,260	4,050	3,900	4,050
Ending Stocks	63	63	63	288	288	288	188	138	188
Total Distribution	3,932	3,996	3,996	4,563	4,568	4,568	4,288	4,088	4,288
Yield	2.	2.	1.86	2.	2.	2.05	2.	2.	1.82

Oats

Oats 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 Data	USDA Official Data		Old Post Data	USDA Official Data		Nov Data
Area Harvested	3,700	3,320	3,320	3,700	3,200	3,200	3,500	3,500	3,500
Beginning Stocks	186	190	190	184	184	184	584	584	584
Production	5,400	5,410	5,410	5,800	5,830	5,830	5,000	4,800	5,000
MY Imports	5	0	0	0	0	0	0	0	0
TY Imports	5	0	0	0	0	0	0	0	0
TY Imp. from U.S.	0	0	0	0	0	0	0	0	0
Total Supply	5,591	5,600	5,600	5,984	6,014	6,014	5,584	5,384	5,584
MY Exports	7	0	0	0	0	0	0	0	0
TY Exports	7	0	0	0	0	0	0	0	0
Feed Consumption	3,800	3,816	3,816	3,800	3,830	3,830	3,600	3,600	3,600
FSI Consumption	1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,600
Total Consumption	5,400	5,416	5,416	5,400	5,430	5,430	5,200	5,200	5,200
Ending Stocks	184	184	184	584	584	584	384	184	384
Total Distribution	5,591	5,600	5,600	5,984	6,014	6,014	5,584	5,384	5,584
Yield	1.	2.	1.63	2.	2.	1.82	1.	1.	1.43

Millet

Millet 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 Data	USDA Official Data		Old Post Data	USDA Official Data		Nov Data
Area Harvested	500	375	375	500	500	500	400	350	350
Beginning Stocks	0	0	0	0	0	0	0	0	0
Production	425	420	420	700	710	710	400	400	400
MY Imports	0	0	0	0	0	0	0	0	0
TY Imports	0	0	0	0	0	0	0	0	0
TY Imp. from U.S.	0	0	0	0	0	0	0	0	0
Total Supply	425	420	420	700	710	710	400	400	400
MY Exports	0	0	0	0	20	20	0	0	0
TY Exports	0	0	0	0	20	20	0	0	0
Feed Consumption	225	220	220	400	400	400	200	200	200
FSI Consumption	200	200	200	300	290	290	200	200	200
Total Consumption	425	420	420	700	690	690	400	400	400
Ending Stocks	0	0	0	0	0	0	0	0	0
Total Distribution	425	420	420	700	710	710	400	400	400
Yield	1.	1.	1.12	1.	1.	1.42	1.	1.	1.14

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 Data	USDA Official Data		Old Post Data	USDA Official Data		Nov Data
Area Harvested	163	160	160	164	170	170	181	170	170
Beginning Stocks	69	69	69	69	69	69	49	89	49
Milled Production	460	460	460	480	475	475	575	500	575
Rough Production	708	708	708	738	731	731	885	769	885
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	240	200	180	220	200
TY Imports	237	233	233	200	240	200	180	220	200
TY Imp. from U.S.	2	0	0	0	2	2	0	3	3

Total Supply	766	762	762	749	784	744	804	809	824
MY Exports	21	15	15	20	20	20	15	20	20
TY Exports	21	15	15	20	20	20	15	20	20
Total Consumption	676	678	678	680	675	675	710	710	725
Ending Stocks	69	69	69	49	89	49	79	79	79
Total Distribution	766	762	762	749	784	744	804	809	824
Yield (Rough)	4.	4.	4.43	4.	4.	4.3	5.	5.	5.21