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## Russian Federation

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### Grain and Feed October Monthly Update

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**Report Highlights:**

The Moscow Office of Agricultural Affairs (MOAA) decreased Russia's total grain crop forecast by 1 million metric tons (MMT) to 90 MMT due to estimated losses resulting from the drought in the Volga Valley and the Southern Federal Districts. Grain exports are forecast to increase by 200,000 MT to 19.0 MMT due to intensive exports in July – September 2009. Domestic grain prices continue falling, and the gap between the market and the announced intervention price is growing. In the meantime the government postponed intervention purchases as it wait for the market situation to improve. In spite of financial constraints by September 23, 2009, farmers planted grain on 11.5 million hectares (2.4 million hectares more than on the same date 2008).

**General Information:**

The Moscow Office of Agricultural Affairs (MOAA) decreased Russia's total grain crop forecast

by 1 million metric ton (MMT) to 90 MMT. The decrease is due to the Russian Ministry of Agriculture's (MinAg) update of the drought's impact in the Volga Valley and the Southern Federal Districts. MinAg reported that direct losses and decrease in yields amount to 13 MMT. Experts predict that the summer crops, including corn will have the suffer the largest losses. Wheat production is forecast at 56.5 MMT, barley – 17.0 MMT, corn – 4.7 MMT, rye – 3.8 MMT, oats – 4.8 MMT, and other grain – 3.2 MMT. Analysts forecast a higher share of milling quality wheat in European Russia than in 2008, but the current market price of this wheat (in Rubles) is 30 percent lower than a year ago.

Exports are forecasted at 19.0 MMT, including 16.8 MMT of wheat, 2.0 MMT of barley, 100,000 MT of corn, and less than 0.1 MMT of other grains and legumes. Grain exports in July-August almost reached 3.6 MMT. Most of these exports were from the carry-over stocks. Experts consider that September's exports will also be high, originating from the new crop in the Southern European Russia. Traders consider that the current domestic prices are still acceptable for wheat exports, although competition in the foreign markets is very tight. Farmers deliver grain for export by trucks, directly from the on-farm storages, thus saving on the storage expenses. The regional terminals still have big stocks of intervention grain, and many farmers in the Southern and the Central federal districts do not have alternatives to selling grain to exporters.

Grain market prices continue decreasing, and the gap between the declared in March intervention prices and the market price has widened. The federal funds for grain procurement interventions are only 20 billion rubles (\$670 million), two times less than in 2008. Most of regional elevators in the South and the Central European Russia are still filled with 2008 intervention grain (cost of storing also increases grain price). Thus the Ministry of Agriculture postponed the beginning of interventions possibly in hopes that somehow grain exports may help to support domestic prices. Recently the Russian Minister of Agriculture Yelena Skrynnik remarked that the Ministry of Agriculture is studying the issue of the state support of grain exports, but no actions have been taken except for declarations that the Government intends to sign grain trade related memorandums with some foreign countries such as Indonesia. The United Grain Company, which was supposed to participate in grain exports, has not been funded yet, and the beginning of its still unclear activities is not expected until November.

Winter sowing in the European Russia, according to the Ministry of Agriculture, has exceeded the last year level, and by September 23, 11.5 million hectares of grain were sown.

### **Production:** Crop Forecast

The MOAA's grain crop forecast is 90.0 million metric tons (MMT). Wheat production forecast is lowered by 0.5 MMT to 56.5 MMT based on harvest progress information. The wheat harvest continues in Siberia, and yields are higher than last year, but delays in sowing spring grain increase the odds of weather related damage. Barley forecast is raised to 17.0 MMT, based on the harvest progress information. Corn production forecast is decreased to 4.7 MMT due to significant

drought- resulting in a decrease in yields of corn-for-grain in European Russia. The Ministry of Agriculture has not yet updated its crop forecast, and it remains within 85-90 MMT. However, the ministry has informed that the draught-caused losses of grain amounted to 13.0 MMT, larger than originally estimated, and the final MinAg's crop estimates, usually published in November, may be closer to 85 MMT than to 90 MMT.

### Grain Harvest Progress <sup>[i]</sup>

According to the Ministry of Agriculture, by September 23, 2009, Russian farmers harvested 81.4 million metric tons (MMT) of grains and legumes from 33.4 million hectares (73 percent of sown area), including 51.0 MMT of wheat and 17.1 MMT of barley. The average grain yield is 2.44 MT/ha, or 0.14 MT/ha less than last year.

The provinces of the Southern Federal District harvested 26.4 MMT from 8.7 million hectares (85 percent of sown area). The average yield is 3.04 MT/ha, 0.62 MT less than in 2008). Some provinces in this district continued harvesting rice. As of September 23 farmers harvested 276,000 MT of rice (rough) from 50,400 hectares (28 percent of the planned harvest area, and yields have been 5.48 MT/ha, or 0.9 MT/ha more than last year. The provinces of the Central Federal District harvested 21.2 MMT from 7.2 million hectares (90 percent of sown area). Yields are .44 MT/ha less than in 2008. In the Volga Valley Federal District farmers harvested 20.9 MMT from 10.6 million hectares, with the average yield at 1.98 MT/ha (0.15 MT less than in 2008). The provinces of the Siberian Federal District harvested 8.4 MMT from 4.3 million hectares (40 percent of sown area). The harvest is slower than last year, but the average yield is 1.97 MT/ha, 0.49 MT more than in 2008. In the Ural Federal District farmers harvested 61 percent of sown area (2.4 million hectares), and received 3.5 MMT. Yields are slightly lower than last year. In the North-Western and the Far-Eastern Federal District farmers harvested 76 and 80 percent of sown area. In the North-Western Federal district the yields are slightly worse than last year and in the Far-East better than last year, but in both territories crop is not big. By September 23 the North Western farmers harvested slightly more than 0.6 MMT, and in the Far-East – less than 0.6 MMT.

Information on harvested corn is limited. As of September 23, 2009 some provinces of the Southern, Central and the Volga-Valley federal districts began harvesting corn. By this date they harvested 267,000 MT of corn from 57,000 ha. The yields have been reported 0.16 MT/ha higher than last year, but there is no information on the corn area planned to be harvested for grain.

### Winter Grain Sowing

According to the Russian Ministry of Agriculture, by September 23, 2009, winter grain was sown on 11.5 million hectares (2.4 million hectares more than on the same date 2008). . Experts consider that given the current grain prices and the farmers' financial constraints, farmers in many provinces would not have any justification to increase winter grain area. However, the Russian reality is that many farmers' decisions are driven by necessity to survive and by absence of alternative occupations. Thus farmers may again increase winter grain sown area, but it is likely that many of them will not have access to improved seeds, chemicals and fertilizer, or new equipment. Bankers report that in 2009 farmers' purchases of new machines dropped by 75 percent.

## Grain Quality

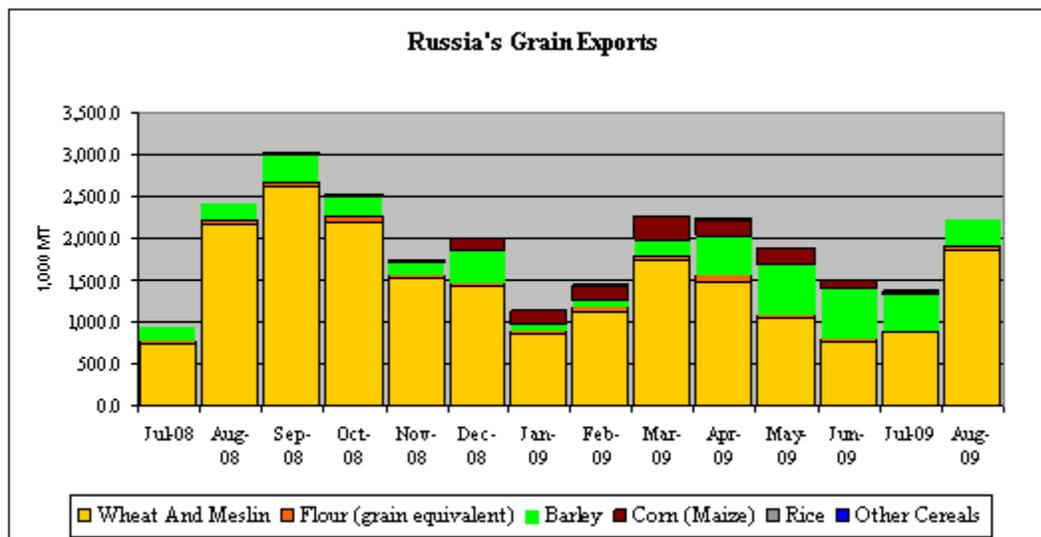
Southern European Russia reports higher grain quality than last year. Thus, in Rostov-oblast where some workers' receive in-kind salary (grain, feeds, etc for feeding their own back-yard poultry and livestock) they do not have enough fodder wheat to pay workers. However the food quality wheat is abundant. Some data on grain quality in European Russia is in the GAIN RS9053 Grain and Feed September Monthly Update.

<sup>[i]</sup> All harvest data are in bunker weight, which is 5-8 percent lower than the final crop weight.

## Trade:

In July-August 2009 Russia exported 2.75 MMT of wheat. The top ten markets for Russian wheat were Egypt (821,000 MT), Turkey (335,000 MT), Syria (196,000 MT), Jordan (125,000 MT), Israel (119,000 MT), Indonesia (91,000 MT), Armenia (87,000 MT), Iran (86,000 MT), Georgia (84,000 MT), and Bangladesh (81,000 MT). Wheat flour exports were 55,000 MT in grain equivalent, and flour was exported to Afghanistan (20,000 MT in grain equivalent) and to the CIS countries. Compared with last year, beginning wheat flour exports have had a slow start. Barley exports reached 742,000 MT in the two months' period, but experts forecast the slow down in the next months. According to experts, wheat exports in September will be also high. Most of wheat in July –September was exported from the previous year stocks, while in September traders started exporting grain from 2009 crop. Barley exports in July – August exceeded 742,000 MT, including 494,000 MT were exported in Saudi Arabia, 80,500 MT – to Jordan, and almost 40,000 MT – to Iran. Exports of corn in July were 25,000 MT, but in August it dropped to 4,500 MT <sup>[i]</sup>.

**Graph 1. Russia's Grain Exports, by Months, 1,000 MT**



Source: World Trade Atlas, SovEcon (for July-August 2009)

[i] SovEcon

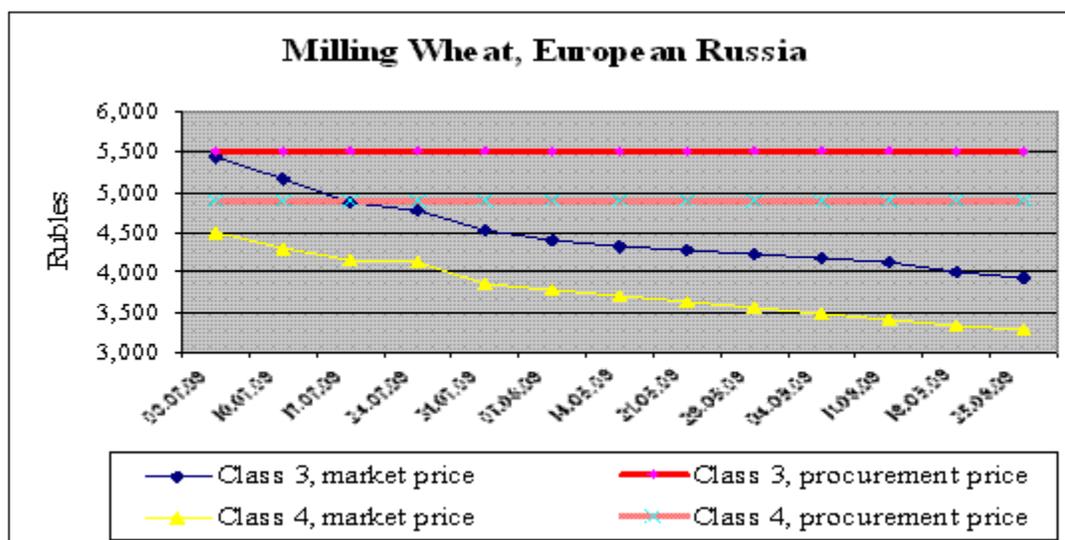
### Marketing:

Given the decreasing prices, and uncertain situation with the state grain procurement interventions, grain farmers with adequate on-farm storage sell only enough grain to cover urgent debts and expenses. Those, who do not have on-farm storage, are slowly selling grain to traders at low price. The shortage of empty regional elevators in the European Russia (many of them are still filled with the immovable intervention grain) also force farmers to sell grain to traders. However, many traders complain that the current grain market is weak, and farmers prefer to accumulate stocks waiting for better prices or for the beginning of grain interventions.

### Prices

Prices have been decreasing since beginning of marketing year. Milling wheat prices decrease faster than fodder wheat prices, although both are low.

**Graph 2. Milling Wheat Prices in European Russia**



Source: ProZerno (for wheat market prices)

### Market Support

No information on the beginning of the grain interventions has been issued so far. In several presentations Agricultural Minister Yelena Skrynnik described the intervention price as a ceiling price. She confirmed that the Ministry of Agriculture is ready to begin the grain intervention; however, the date of these interventions has not been announced yet.

On September 27, Minister Skrynnik remarked that the Ministry of Agriculture is examining the issue of grain exports support in order to stabilize domestic grain prices. However, there is no budget or mechanism of doing this.

## Production, Supply and Demand Data Statistics :

### 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		Oct	
		Data			Data			Data			
Area Harvested	24,400	24,500	24,500	26,650	26,000	26,000	28,750	27,000	27,000	(1000 HA)	
Beginning Stocks	2,231	2,380	2,380	1,819	1,819	1,819	8,429	8,429	8,429	(1000 MT)	
Production	49,400	49,400	49,400	63,700	63,745	63,745	56,500	57,000	56,500	(1000 MT)	
MY Imports	440	440	440	203	135	135	200	200	200	(1000 MT)	
TY Imports	440	440	440	203	135	135	200	200	200	(1000 MT)	
TY Imp. from U.S.	0	0	0	0	0	0	0	0	0	(1000 MT)	
Total Supply	52,071	52,220	52,220	65,722	65,699	65,699	65,129	65,629	65,129	(1000 MT)	
MY Exports	12,552	12,552	12,552	18,393	18,330	18,330	16,500	16,800	16,800	(1000 MT)	
TY Exports	12,552	12,552	12,552	18,393	18,330	18,330	16,500	16,800	16,800	(1000 MT)	
Feed Consumption	15,050	15,150	15,150	16,200	16,240	16,240	17,000	18,000	17,500	(1000 MT)	
FSI Consumption	22,650	22,699	22,699	22,700	22,700	22,700	22,700	22,700	22,700	(1000 MT)	
Total Consumption	37,700	37,849	37,849	38,900	38,940	38,940	39,700	40,700	40,200	(1000 MT)	
Ending Stocks	1,819	1,819	1,819	8,429	8,429	8,429	8,929	8,129	8,129	(1000 MT)	
Total Distribution	52,071	52,220	52,220	65,722	65,699	65,699	65,129	65,629	65,129	(1000 MT)	
Yield	2.	2.	2.02	2.	2.	2.45	2.	2.	2.09	(MT/HA)	

### 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		Oct	
		Data			Data			Data			
Area Harvested	9,600	8,360	8,360	9,600	9,400	9,400	9,100	9,000	9,000	(1000 HA)	
Beginning Stocks	1,307	1,226	1,226	1,037	1,037	1,037	3,693	3,693	3,693	(1000 MT)	
Production	15,650	15,665	15,665	23,100	23,135	23,135	16,000	16,500	17,000	(1000 MT)	
MY Imports	176	175	175	100	65	65	100	100	100	(1000 MT)	
TY Imports	158	175	175	100	65	65	100	100	100	(1000 MT)	
TY Imp. from U.S.	0	0	0	0	0	0	0	0	0	(1000 MT)	
Total Supply	17,133	17,066	17,066	24,237	24,237	24,237	19,793	20,293	20,793	(1000 MT)	
MY Exports	1,046	1,046	1,046	3,444	3,444	3,444	2,000	1,700	2,000	(1000 MT)	
TY Exports	1,277	1,277	1,277	3,700	445	445	1,800	1,700	2,000	(1000 MT)	
Feed Consumption	10,450	10,450	10,450	12,300	12,300	12,300	12,000	12,100	12,400	(1000 MT)	
FSI Consumption	4,600	4,533	4,533	4,800	4,800	4,800	4,600	4,600	4,700	(1000 MT)	
Total Consumption	15,050	14,983	14,983	17,100	17,100	17,100	16,600	16,700	17,100	(1000 MT)	
Ending Stocks	1,037	1,037	1,037	3,693	3,693	3,693	1,193	1,893	1,693	(1000 MT)	
Total Distribution	17,133	17,066	17,066	24,237	24,237	24,237	19,793	20,293	20,793	(1000 MT)	
Yield	2.	2.	1.87	2.	2.	2.46	2.	2.	1.89	(MT/HA)	

### 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		Oct	
		Data			Data			Data			
Area Harvested	1,300	1,300	1,300	1,650	1,550	1,550	1,500	1,600	1,600	(1000 HA)	
Beginning Stocks	175	175	175	167	167	167	167	262	262	(1000 MT)	
Production	3,950	3,950	3,950	6,600	6,645	6,645	5,000	5,000	4,700	(1000 MT)	
MY Imports	341	341	341	100	100	100	100	100	200	(1000 MT)	
TY Imports	341	341	341	100	100	100	100	100	200	(1000 MT)	
TY Imp. from U.S.	8	8	8	0	0	0	0	0	0	(1000 MT)	
Total Supply	4,466	4,466	4,466	6,867	6,912	6,912	5,267	5,362	5,162	(1000 MT)	
MY Exports	49	49	49	1,400	1,350	1,350	250	250	100	(1000 MT)	
TY Exports	49	49	49	1,400	1,350	1,350	250	250	100	(1000 MT)	
Feed Consumption	3,650	3,650	3,650	4,600	4,600	4,600	4,200	4,300	4,300	(1000 MT)	
FSI Consumption	600	600	600	700	700	700	600	600	600	(1000 MT)	
Total Consumption	4,250	4,250	4,250	5,300	5,300	5,300	4,800	4,900	4,900	(1000 MT)	
Ending Stocks	167	167	167	167	262	262	217	212	162	(1000 MT)	
Total Distribution	4,466	4,466	4,466	6,867	6,912	6,912	5,267	5,362	5,162	(1000 MT)	
Yield	3.	3.	3.04	4.	4.	4.29	3.	3.	2.94	(MT/HA)	

## 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		Oct	
		Data			Data			Data			
Area Harvested	2,100	2,100	2,100	2,200	2,200	2,200	2,200	2,200	2,200	(1000 HA)	
Beginning Stocks	32	76	76	63	63	63	288	288	288	(1000 MT)	
Production	3,900	3,915	3,915	4,500	4,505	4,505	4,000	4,000	3,800	(1000 MT)	
MY Imports	0	5	5	0	0	0	0	0	0	(1000 MT)	
TY Imports	0	5	5	0	0	0	0	0	0	(1000 MT)	
TY Imp. from U.S.	0	0	0	0	0	0	0	0	0	(1000 MT)	
Total Supply	3,932	3,996	3,996	4,563	4,568	4,568	4,288	4,288	4,088	(1000 MT)	
MY Exports	119	118	118	25	20	20	50	50	50	(1000 MT)	
TY Exports	86	86	86	25	20	20	50	50	50	(1000 MT)	
Feed Consumption	600	650	650	750	760	760	750	750	700	(1000 MT)	
FSI Consumption	3,150	3,165	3,165	3,500	3,500	3,500	3,300	3,300	3,200	(1000 MT)	
Total Consumption	3,750	3,815	3,815	4,250	4,260	4,260	4,050	4,050	3,900	(1000 MT)	
Ending Stocks	63	63	63	288	288	288	188	188	138	(1000 MT)	
Total Distribution	3,932	3,996	3,996	4,563	4,568	4,568	4,288	4,288	4,088	(1000 MT)	
Yield	2.	2.	1.86	2.	2.	2.05	2.	2.	1.73	(MT/HA)	

## Oats

Oats		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		Oct	
				Data			Data			Data	
Area Harvested		3,700	3,320	3,320	3,700	3,200	3,200	3,500	3,500	3,500	(1000 HA)
Beginning Stocks		186	190	190	184	184	184	584	584	584	(1000 MT)
Production		5,400	5,410	5,410	5,800	5,830	5,830	5,000	5,000	4,800	(1000 MT)
MY Imports		5	0	0	0	0	0	0	0	0	(1000 MT)
TY Imports		5	0	0	0	0	0	0	0	0	(1000 MT)
TY Imp. from U.S.		0	0	0	0	0	0	0	0	0	(1000 MT)
Total Supply		5,591	5,600	5,600	5,984	6,014	6,014	5,584	5,584	5,384	(1000 MT)
MY Exports		7	0	0	0	0	0	0	0	0	(1000 MT)
TY Exports		7	0	0	0	0	0	0	0	0	(1000 MT)
Feed Consumption		3,800	3,816	3,816	3,800	3,830	3,830	3,600	3,600	3,600	(1000 MT)
FSI Consumption		1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,600	(1000 MT)
Total Consumption		5,400	5,416	5,416	5,400	5,430	5,430	5,200	5,200	5,200	(1000 MT)
Ending Stocks		184	184	184	584	584	584	384	384	184	(1000 MT)
Total Distribution		5,591	5,600	5,600	5,984	6,014	6,014	5,584	5,584	5,384	(1000 MT)
Yield		1.	2.	1.63	2.	2.	1.82	1.	1.	1.37	(MT/HA)

## Millet

Millet		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		Oct	
				Data			Data			Data	
Area Harvested		500	375	375	500	500	500	400	350	350	(1000 HA)
Beginning Stocks		0	0	0	0	0	0	0	0	0	(1000 MT)
Production		425	420	420	700	710	710	400	400	400	(1000 MT)
MY Imports		0	0	0	0	0	0	0	0	0	(1000 MT)
TY Imports		0	0	0	0	0	0	0	0	0	(1000 MT)
TY Imp. from U.S.		0	0	0	0	0	0	0	0	0	(1000 MT)
Total Supply		425	420	420	700	710	710	400	400	400	(1000 MT)
MY Exports		0	0	0	0	20	20	0	0	0	(1000 MT)
TY Exports		0	0	0	0	20	20	0	0	0	(1000 MT)
Feed Consumption		225	220	220	400	400	400	200	200	200	(1000 MT)
FSI Consumption		200	200	200	300	290	290	200	200	200	(1000 MT)
Total Consumption		425	420	420	700	690	690	400	400	400	(1000 MT)
Ending Stocks		0	0	0	0	0	0	0	0	0	(1000 MT)
Total Distribution		425	420	420	700	710	710	400	400	400	(1000 MT)
Yield		1.	1.	1.12	1.	1.	1.42	1.	1.	1.14	(MT/HA)

## Rice, Milled

Milled  Rice, 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		Oct	
			Data			Data			Data	
Area Harvested	163	160	160	164	170	170	181	170	170	(1000 HA)
Beginning Stocks	69	69	69	69	69	69	89	89	89	(1000 MT)
Milled Production	460	460	460	480	475	475	535	500	500	(1000 MT)
Rough Production	708	708	708	738	731	731	823	769	769	(1000 MT)
Milling Rate (.9999)	6,500	6,500	6,500	6,500	6,500	6,500	6,500	6,500	6,500	(1000 MT)
MY Imports	237	233	233	250	240	240	220	220	220	(1000 MT)
TY Imports	237	233	233	250	240	240	220	220	220	(1000 MT)
TY Imp. from U.S.	2	0	0	0	2	2	0	3	3	(1000 MT)
Total Supply	766	762	762	799	784	784	844	809	809	(1000 MT)
MY Exports	21	15	15	20	20	20	15	20	20	(1000 MT)
TY Exports	21	15	15	20	20	20	15	20	20	(1000 MT)
Total Consumption	676	678	678	690	675	675	745	710	710	(1000 MT)
Ending Stocks	69	69	69	89	89	89	84	79	79	(1000 MT)
Total Distribution	766	762	762	799	784	784	844	809	809	(1000 MT)
Yield (Rough)	4.	4.	4.43	4.	4.	4.3	5.	5.	4.52	(MT/HA)