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Voluntary - Public

Date: 8/31/2009

GAIN Report Number: RS9053

Russian Federation

Post: Moscow

Grain and Feed September Monthly Update

Report Categories:

Grain and Feed

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Report Highlights:

The grain crop forecast is lowered to 91 million metric tons (MMT) due to decreased yields in European Russia. Siberia's crop looks good, and Russia's total grain production will be 6 MMT higher than the 5 years' average. Grain exports are forecasted to decrease to 18.8 MMT due to tighter competition in the world markets. Grain interventions may start in September, but lower intervention budget will not allow purchases to exceed 4.0 MMT of grain. Farmers in European Russia have started winter sowing, and plan to maintain winter sown area at last year's level.

General Information:

The grain crop forecast is 91 million metric tons (MMT). This is 17 MMT lower than last year, but still will be the second highest crop in the last 5 years. Wheat production is forecasted at 57.0 MMT, barley – 16.5 MMT, corn – 5.0 MMT, rye – 4.0 MMT, oats – 5.0 MMT, and other grains – 3.5 MMT. Analysts report that the milling quality of wheat, Russia's major grain crop, will be

better this year than the last one. Post forecasts grain exports in MY 2009 at 18.8 MMT, including 16.8 MMT of wheat, 1.7 MMT of barley, 250,000 metric tons (MT) of corn, and less than 100,000 MT of other grains. Exports might decrease by 18 percent from last year due to the tighter competition in the world market. The Russian Ministry of Agriculture believes that this year's grain crop, which it forecasts at 85 -90 MMT, will allow Russia to export up to 20-23 MMT. Grain exports last month hit a historic record for July at 1.3 MMT. However, this grain was exported from last year's carry-over stocks per previously concluded contracts. There is no official data on the beginning of MY 2009 year grain carry-over stocks. Experts' estimates of these stocks vary from 13 MMT to 20 MMT. Given the good crop prospects, high carry-over stocks, and tightening of competition in the Russia's traditional export markets, wheat prices in European Russia began to decrease in July-August, and by mid-August milling wheat grain price dropped to 75 percent of the declared intervention price announced by the Ministry of Agriculture in March 2009. Farmers in European Russia are looking forward to the state grain procurement interventions. The interventions are expected to begin in September. However, a lower intervention budget will not allow purchases to exceed more than 4.0 MMT of grain, and these interventions will hardly support domestic prices^[i]. Farmers in the European Russia have started winter sowing, and plan to maintain winter sown area at last year's level, or even increase it, but the growing financial constraints might correct their plans.

^[i] Update on the Russia's grain procurement interventions is in the GAIN report RS9052 Agent for the Grain procurement Interventions Selected

Production:

Crop Forecast

The grain crop forecast is 91.0 million metric tons (MMT). This is 17.0 MMT lower than last year, but still will be the second highest crop in the last 5 years. Wheat production is forecasted at 57.0 MMT, barley – 16.5 MMT, corn – 5.0 MMT, rye – 4.0 MMT, oats – 5.0 MMT, and other grains – 3.5 MMT. The official data on the progress of grain harvest has not been updated since August 19, when the Central, Volga Valley and Ural Federal districts were still in the midst of the grain harvest and the harvest in Siberia was just beginning. At this time all the major grain producing provinces in European Russia reported lower yields than last year. However, by end-August many grain analysts began reporting that yields stabilized, and that crop in Siberia will be one of the historic highest. Russia's grain production may reach 95-97 MMT. Russian Ministry of Agriculture has not updated crop forecast, and it remains 85 – 90 MMT.

Grain Harvest Progress^[i]

According to the Russian Ministry of Agriculture, as of August 19, 2009, Russian farmers harvested 56.5 MMT of grain from 20.9 million hectares (44 percent of estimated grain sown area), including

38.2 MMT of wheat (11 percent less than on the same date last year), and 10.1 MMT of barley (49 percent less than on the same date last year). The rate of harvesting is slower than last year due to rains.

The provinces of Southern Federal district harvested almost all grain except rice and corn and received 26 MMT with the average yield at 3.01 MT/HA. Farmers of Volga Valley Federal district harvested 11.9 MMT from 6.2 million hectares, or 43 percent of estimated grain sown area. The yields are almost 9 percent lower than in 2008. Farmers of the Central Federal District harvested 11.7 MMT of grain from the 5.7 million hectares (72.3 percent of the estimated grain sown area). This is 1.8 MMT less than on the same date last year, and yields are 11 percent lower than last year. In the North-Western Federal District they harvested less than 0.2 MMT of grain from 56,000 hectares (18 percent of sown area), and the average yield is 15 percent lower than last year. Farmers of Ural Federal District have only started harvesting grain, but the average yields are lower than last year. The grain yields have been higher than in 2008 only in the Far-Eastern Federal District and in Siberian Federal District. However, harvesting in the Siberian Federal District was just beginning in mid-August, and the total grain crop in the Far East is only a tiny fraction of Russian grain crop.

Winter Grain Sowing

As of August 19, 2009, farmers in European Russia have planted 570,900 hectares with winter grains. Provinces report that they are planning to plant 17.8 million hectares with winter grains, including 14.3 million hectares of winter wheat, 2.6 million hectares of winter rye, 0.6 million hectares of winter barley, and 260,000 hectares of triticale. The total winter grain planted area is forecast to increase by 0.6 million hectares from last season. Ministry of Agriculture estimated that farmers will need 3.87 MMT of planting seeds to sow the planned area, and that farmers have almost 4.0 MMT of their own planting seeds of grain crops. However, farmers might correct planting plans due to financial constraints. Besides, there are no reports on the quality of seeds, and it looks like most of the planting seeds will be the “saved” grain from the 2008 crop.

Furthermore, farmers’ sowing plan may change due to decreasing grain prices, postponement of grain procurement interventions and decreased federal funds for the interventions.

Grain Quality

There have been no official reports on the quality of 2009 grain in Russia, and there is still no official agency that conducts nation-wide analysis of grain quality. Administrations of some provinces of the Southern Federal District and the Volga Valley Federal District reported that along with the lower crop, grain quality will be higher than last year. Thus, Volgograd oblast reported that although the crop might be 23 percent lower than last year, the share of milling quality wheat will be 80 percent; including wheat Class 3 will comprise 50 percent of the grain crop. Some farms will be able to harvest wheat of classes 1 and 2 (very high gluten content), which have not been harvested in oblast for the last 20 years. However, reports of regional authorities may differ from results of tests of independent laboratories. Experts from independent SGS laboratory tested grain offered for sale in Volgograd, Voronezh, Rostov oblasts and in Stavropol and in Krasnodar krais. They found that protein content of wheat in these provinces, except Krasnodar kray, will be higher

than last year. By classes, Class 3 milling wheat comprises 36 percent of wheat tested in Volgograd oblast, 33 percent of wheat tested in Voronezh oblast, 30 percent of Stavropol's wheat, 23 percent of wheat in Rostov oblast, and 20 percent of wheat in Krasnodar kray. Class 4 wheat will comprise 27, 46, 51, 45, and 53 percent in these oblasts and krays respectively. Class 5 (fodder) wheat will be 37 percent in Volgograd oblast, 21 percent in Voronezh oblast, 19 percent in Stavropol kray, 34 percent in Rostov oblast, and 27 percent in Krasnodar kray.

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

Trade:

Post forecasts grain exports in MY 2009 at 18.8 MMT, including 16.8 MMT of wheat, 1.7 MMT of barley, 250,000 MT of corn, and less than 100,000 MT of other grains.

In July 2009 Russia exported a record 1.3 MMT of grain. However this was grain from the carry-over stocks accumulated by the end of MY 2008, and shipped within previously concluded contracts. The Russian government's grain exports forecast vary from 20 MMT to 23 MMT. However, given the tightening competition in the world grain markets, especially competition with Ukraine in the Black Sea and Mediterranean markets, and decreasing demand of traditional importers of Russian grain, these volumes are not likely to be reached.

Most of grain will be exported through the Russian ports at the Black and Azov seas, where grain trading companies increased their storage and handling capacity during 2008-2009. Thus, in 2008 new grain terminal with capacity to handle 4.0 MMT a year started working in the Novorossiysk port (Black sea), in 2009 the new grain terminal with 2.0 MMT's capacity was put into operation in the Black Sea port in Tuapse. A number of smaller grain elevators were built in the ports of Azov Sea. According to information agency SeaNews, in MY 2008, 19.6 MMT of grain, or 85 percent of all Russian grain exports, were exported through the Russian ports of Azov and Black Sea. The volumes of grain transshipments through these ports increased by 86 percent compared with MY 2007. Grain exports from Novorossiysk terminals increased by 100 percent from MY 2007, Yeysk terminals shipped 120 percent more, grain shipments from Taganrog port increased by 84 percent, from Azov – by 52 percent, from Rostov-on-Don port – by 42 percent, from Tuapse port – by 32 percent, and ports of Taman Peninsular exported 210 percent more grain than in MY 2007. The highest activity was in January – June 2009. Ports of Southern Federal District (Black Sea and Azov Sea) transshipped 8.7 MMT of grain during these months ^[i].

Thus, port capacity will not be the limiting factor for Russia's grain exports in MY 2009. Grain exports might be curbed by decreasing foreign demand, by increased supply of grain, and by stronger price competition in the world grain markets.

^[i] Source: Agronews, July 28, 2009

Policy:

Drought-related Measures

In August 2009 Prime Minister Vladimir Putin informed that the drought affected provinces shall submit to the Ministry of Agriculture information on the losses by August 20, and then the Government will make a decision on reimbursement of these losses. However, given the budget constraints, farmers could hardly rely on significant support from the federal budget. In 2009 the federal budget allocated 2 billion rubles for crop insurance (reimbursement of 50 percent of insurance fee), but most farmers did not insure their crop. Ministry of Agriculture reported that only 8 percent of drought affected fields were insured. Prime Minister Putin recommended that drought reimbursements went first to those who insured their crops. Besides, some feed grain from the intervention stocks could be sent to drought-suffered farmers for feeding livestock. Drought-affected farms may receive some additional compensation from the provinces, but these sums will vary by province and will depend on their budgets.

General Support of Grain Farms

In order to support grain farming in MY 2009, the Government will extend 3-years' soft-term loans (80 percent interest rate reimbursement) to farmers who specialize on grain production. Farmers' current short-term (1 year) loans might be extended by 9 months. Thus the farmers will be able to sell this year's crop, receive returns, and use this money for paying debts. By the same token Putin advised that the prolongation of credit should not prevent farmers from getting new short-term loans tied to next year's crop. The soft-term loans to grain farmers now apply to credits for fuel and fertilizer acquisition. However, it does not look like farmers will receive additional funds from the federal budget for seasonal works in the fall 2009.

Grain Interventions

Beginning of grain interventions is planned to start in September. After some July's stabilization, domestic grain prices began to decrease in August. Market prices are decreasing and farmers are looking forward to these interventions. However, lower intervention budget did not allow purchase more than 4.0 MMT of grain to the intervention fund, and these procurements will hardly be able to support domestic prices. Remaining high carry-over grain stocks and good world grain production forecast decrease purchase prices that are offered by grain traders.

United Grain Company

In the beginning of August, after signing documents on creation of the Board of Directors of the United Grain Company, Deputy Prime Minister Viktor Zubkov informed that the United Grain Company will improve market condition through developing infrastructure, first of all construction of new elevators, port and railroads infrastructure. It is still not clear yet, what will be the financial basis and the real authority of the United Grain Company.

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		Sep	
			Data			Data			Data	
Area Harvested	24,500	24,500	24,500	26,700	26,000	26,000	28,100	27,000	27,000	(1000 HA)
Beginning Stocks	2,231	2,380	2,380	1,819	1,819	1,819	8,426	8,469	8,429	(1000 MT)
Production	49,400	49,400	49,400	63,700	63,745	63,745	55,500	58,000	57,000	(1000 MT)
MY Imports	440	440	440	200	135	135	200	200	200	(1000 MT)
TY Imports	440	440	440	200	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	65,719	65,699	65,699	64,126	66,669	65,629	(1000 MT)
MY Exports	12,552	12,552	12,552	18,393	18,330	18,330	16,500	17,500	16,800	(1000 MT)
TY Exports	12,552	12,552	12,552	18,393	18,330	18,330	16,500	17,500	16,800	(1000 MT)
Feed Consumption	15,050	15,150	15,150	16,200	16,200	16,240	17,000	18,000	18,000	(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	38,900	38,940	39,700	40,700	40,700	(1000 MT)
Ending Stocks	1,819	1,819	1,819	8,426	8,469	8,429	7,926	8,469	8,129	(1000 MT)
Total Distribution	52,071	52,220	52,220	65,719	65,699	65,699	64,126	66,669	65,629	(1000 MT)
Yield	2.	2.	2.02	2.	2.	2.45	2.	2.	2.11	(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		Sep	
			Data			Data			Data	
Area Harvested	9,800	8,360	8,360	9,700	9,400	9,400	9,700	9,000	9,000	(1000 HA)
Beginning Stocks	1,307	1,226	1,226	1,037	1,037	1,037	3,693	3,692	3,693	(1000 MT)
Production	15,650	15,665	15,665	23,100	23,135	23,135	17,000	16,500	16,500	(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	20,793	20,292	20,293	(1000 MT)
MY Exports	1,046	1,046	1,046	3,444	3,445	3,444	1,800	1,800	1,700	(1000 MT)
TY Exports	1,277	1,277	1,277	3,500	445	445	1,800	1,800	1,700	(1000 MT)
Feed Consumption	10,450	10,450	10,450	12,300	12,300	12,300	12,000	12,000	12,100	(1000 MT)
FSI Consumption	4,600	4,533	4,533	4,800	4,800	4,800	4,600	4,600	4,600	(1000 MT)
Total Consumption	15,050	14,983	14,983	17,100	17,100	17,100	16,600	16,600	16,700	(1000 MT)
Ending Stocks	1,037	1,037	1,037	3,693	3,692	3,693	2,393	1,892	1,893	(1000 MT)
Total Distribution	17,133	17,066	17,066	24,237	24,237	24,237	20,793	20,292	20,293	(1000 MT)
Yield	2.	2.	1.87	2.	2.	2.46	2.	2.	1.83	(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		Sep	
			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	267	262	262	(1000 MT)
Production	3,950	3,950	3,950	6,600	6,645	6,645	5,000	6,300	5,000	(1000 MT)
MY Imports	341	341	341	100	100	100	100	150	100	(1000 MT)
TY Imports	341	341	341	100	100	100	100	150	100	(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	5,367	6,712	5,362	(1000 MT)
MY Exports	49	49	49	1,300	1,350	1,350	250	500	250	(1000 MT)
TY Exports	49	49	49	1,300	1,350	1,350	250	500	250	(1000 MT)
Feed Consumption	3,650	3,650	3,650	4,600	4,600	4,600	4,200	5,300	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	5,900	4,900	(1000 MT)
Ending Stocks	167	167	167	267	262	262	317	312	212	(1000 MT)
Total Distribution	4,466	4,466	4,466	6,867	6,912	6,912	5,367	6,712	5,362	(1000 MT)
Yield	3.	3.	3.04	4.	4.	4.29	3.	4.	3.13	(MT/HA)